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ABSTRACT

This briefing book and final report are products of Project 2030, a two-year Minnesota initiative to identify the impacts of the baby boom generation that begins turning 85 in 2030 and to prepare a state response to the changes that will accompany the aging of Minnesota's population. The briefing book, an introductory publication to Project 2030, presents basic statewide demographic facts and figures about the changes that will occur in the older population in Minnesota over the next 30 years, describes characteristics of Minnesota's future elderly, and provides supporting data and research. The final report incorporates material from community forums, surveys, roundtables, and staff research and analysis. The final report first discusses demographic realities faced between now and 2030. Most of the report focuses on identifying and discussing these four major themes for the state's preparation for 2030: helping boomers prepare for retirement, health and long term care, changing communities, and work force vitality. The discussion of each theme includes the importance of the theme, aging implications for existing and future trends, vision for 2030, policy directions, and 2030 milestones. The report also addresses the readiness of the state and the effects on other sectors. Its appendixes conclude an annotated bibliography of 15 Project 2030 publications and 25 references. (YLB)

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Project 2030 Aging Initiative
Briefing Book [and] Final Report

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PROJECT AGING INITIATIVE 2030

BRIEFING BOOK

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BACKGROUND AND PURPOSE

Introduction

Beginning in approximately 2010, Minnesota will experience a profound shift in its age structure. At that time, the first of the post-war baby boom generation begins to turn 65. For the next 50 years, demographics will drive public policy, as the babyboomers influence social, economic, and political developments in Minnesota and throughout the country.

Because of the size and unique place in history of this particular generation, the babyboomers have been in the driver's seat since their birth. Born in prosperous times after World War II, this generation increased the demand for baby food and pediatricians; fueled a huge construction boom in schools; influenced the country's foreign policy; shaped the market for consumer products; led to the greatest increase ever of women in the work force; and now has produced its own "echo babyboom."

Minnesota's babyboomers are defined as those individuals born between 1946 and 1964. Thus, they are now between 33 and 51 years old, middle-aged, some with children whose ages span kindergarten to college, many with aging parents, stretched financially, trying to maintain the hectic schedules of the '90s.

As they grow old, the babyboomers will become the senior boom, and will continue to influence society and public policy but in new ways. Until about 2030, these senior boomers will include larger than ever numbers of "young old" retirees who enjoy good health and expect an active retired lifestyle or continued work either in paid or voluntary roles.

However, as they grow older they will experience the inevitable increased disability, chronic conditions and the subsequent need for health and social support in the final years of their life. Because of the size of this cohort, our senior boom's need for these supports is also likely to be enormous and overwhelm the traditional responses of family, private sector and government to the long term care needs of older people.

Other changes are in the works that will also influence how we as a society respond to the coming age wave. The actual numbers, characteristics and growing diversity of the group will of course be an important part of what ultimately happens. Also affecting this will be social, political and economic trends such as continuing changes in families, within communities, in retirement and employment of older persons, and in the role of government.

Changes in other systems will also affect the current and future needs of older people. One of the most important is the ongoing redesign of Minnesota's health care system. Because older people are major users of the health system, any change in this system has spillover effects on other systems as well. Other important trends include the increasing involvement of market forces and the business sector to meet aging needs; the effects of redesign of other systems,

and future labor supply issues. Of course underlying many of these issues is the shape of the economy of the state over the next 30 years, and how this will affect and be affected by the aging of our population.

What is Project 2030?

Needing to respond to these issues, the Minnesota Department of Human Services created **Project 2030** in January 1997. The purpose of Project 2030 is to analyze the impacts of the aging of Minnesota's babyboom and create momentum within all sectors to plan and prepare responses to the demographic shifts that will culminate in 2030 when the first babyboomers begin to turn 85. Project 2030 is being carried out in partnership with the Minnesota Board on Aging.

Exactly how the aging of babyboomers will affect the long term care, social and housing systems in Minnesota is uncertain. These services are critical to the well being of older people, and the availability and affordability of services determine an older person's ability to live independently in the community. Because matching appropriate services to the needs of older persons will require careful planning by federal and state governments, the private sector, and individuals, now is the time to consider the requirements of older people in the 21st century.

Although many factors driving the need for long term care are unavoidable, many are within our power to influence. These include efforts to reduce disability rates, increase savings and develop financing mechanisms to make purchase of long term care services affordable, and efforts to reform and redesign the systems that older people depend upon so that those who need help get it.

Purpose of This Briefing Book

The purpose of this report is to present some of the basic statewide demographic facts and figures about the changes that will occur in the older population in Minnesota over the next 30 years. Future reports will describe social trends and other factors that will impact the shape of these changes.

DEMOGRAPHIC FACTS AND FIGURES

Aging of Minnesota's Population

The older population (65+) in Minnesota will be the fastest growing age group in the state between 2000 and 2030.

- The median age of Minnesotans will rise from 36.2 in 2000 to 42.2 in 2030.
- The 65+ population will grow by 581,007 people between 2000 and 2030, from 592,332 to 1,173,339, representing almost a doubling of the older population. The non-elderly population, however, will decline in numbers during this period.
- In 2030, older people will constitute 23% of the total state population, up from 12.7% of the population in 2000.
- Between 2030 and 2050, the total 65+ population will decline somewhat, although they will still represent about 23% of the overall population.
- The average annual rate of growth of the older population will be highest between 2010 and 2030 at about 2.8%. This rate will be much lower between 1990 and 2010 (1.3%), and 2030 to 2050 (0.7%).

Table 1

Minnesota's Population By Age Group

2000 - 2050

Age	2000	2010	2020	2030	2040	2050
0 – 14	973,128	890,494	903,275	878,443	838,840	828,687
15 - 64	3,083,840	3,298,801	3,241,306	3,089,467	3,085,994	3,001,443
65 – 84	500,446	559,317	791,888	1,030,750	963,634	903,051
85+	91,886	112,470	118,192	142,580	210,206	250,873
TOTAL	4,649,300	4,861,082	5,054,561	5,141,250	5,098,674	4,984,054
65+ TOTAL	592,332	671,787	910,080	1,173,339	1,173,840	1,153,924

Source: Minnesota Demographer's Office, 1997

Table 2

Minnesota's Population By Age Group (In Percentages)

2000 - 2050

Age	2000	2010	2020	2030	2040	2050
0 – 14	20.9	18.3	17.9	17.1	16.5	16.6
15 - 64	66.3	67.9	64.1	60.1	60.5	60.2
65 – 84	10.8	11.5	15.7	20.0	18.9	18.1
85+	02.0	02.3	02.3	02.8	04.1	05.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
65+ TOTAL	12.7	13.8	18.0	22.8	23.0	23.2

Source: Minnesota Demographer's Office, 1997

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Changes within Minnesota's Older Population

Between 2000 and 2030, there will be a large increase in Minnesota's "young-old" age groups (those between 65 and 84). Then, between 2030 and 2050, dramatic growth will occur in the "very old" age group (those over 85) as the last babyboomers turn 85.

- In 2030, over one-half of the total 65+ population will be between ages 65 and 74. In 2050, less than half of the 65+ population will be between 65 and 74.
- The 85+ population will begin an exponential growth in 2030 and by 2050 will represent 22% of Minnesota's elderly population, up from 12% in 2030.
- The dramatic growth in the frail elderly population (85+) is one of the factors that will increase the need for long term care.

Table 3

Minnesota's Older Population By Age Group

2000 - 2050

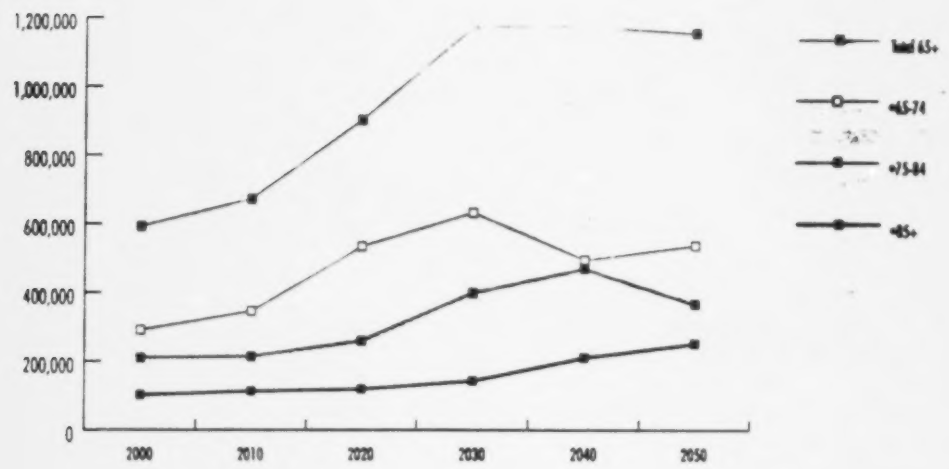
Age	2000	2010	2020	2030	2040	2050
85+	101,886	112,470	118,192	142,580	210,206	250,873
80 – 84	88,999	96,364	102,169	160,920	212,094	170,155
75 - 79	120,376	117,061	156,126	237,820	257,408	196,621
70 – 74	140,123	146,970	231,293	304,962	244,345	239,597
65 – 69	150,948	198,923	302,280	327,057	249,767	296,678
TOTAL 65+	592,332	671,788	910,060	1,173,339	1,173,820	1,153,924

Source: Minnesota Demographer's Office, 1997

Figure 1

Minnesota's Older Population by Age Group

2000-2050



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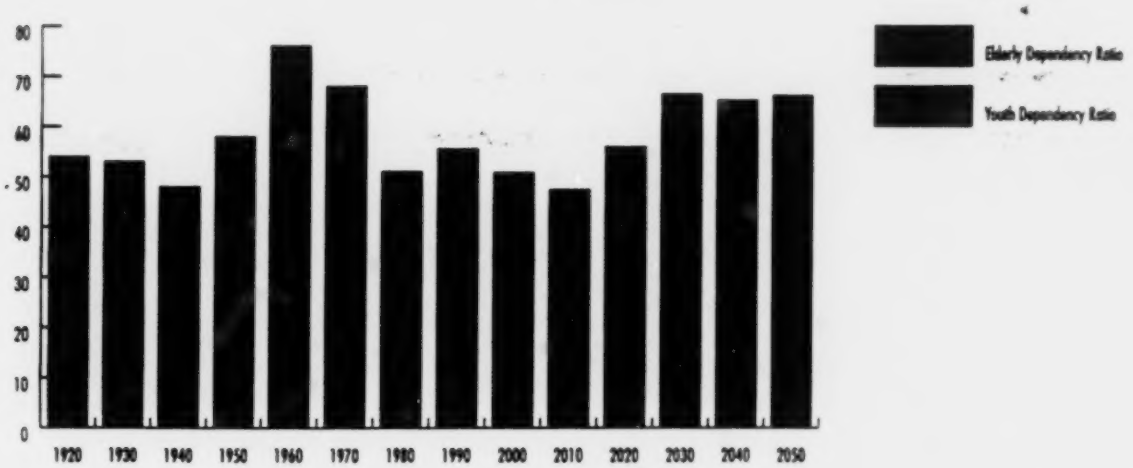
Dependency Ratios

A commonly-used measure of the relationship between the working-age population and the economically dependent population is the *dependency ratio*. Higher ratios mean that there are large proportions of people who are too young or too old to work and must be supported by the working population. Thus the dependency ratio has many implications for such factors as tax burdens and types of services that must be provided to dependent populations.

- Until 2010, the dependency ratio in Minnesota will decrease and then begin to rise as babyboomers retire.
- The *child dependency ratio* peaked in 1960 during the babyboom era. It has declined substantially since then and will continue this decline until 2010 and thereafter remain stable.
- The *elderly dependency ratio* has been fairly stable since 1960 and should continue to remain stable in the range of 18 to 20 older people per 100 working-age people until 2010. Between 2010 and 2030 it will rise sharply from 20.4 to 38.0, then remain stable through 2050.
- The *total dependency ratio*, the sum of youth and elderly dependency ratios, will reach an all-time low of 47.3 in 2010, then begin to rise, reaching 66.4 in 2030, then remaining stable through 2050. The *total dependency ratio* in 2030 will still be well below the 20th century maximum reached in 1960 (76.1) at the height of the babyboom era. Some experts refer to the 2010 dip in the dependency ratio as America's "Indian summer" as the country experiences strong economic growth, and more and more boomers are able to step up their savings and begin to plan for retirement.

Figure 2

Minnesota's Dependency Ratios:
Ratio of Dependent to Working Age Population
1920-2050



Source: Minnesota Demographer's Office, 1997

Gender

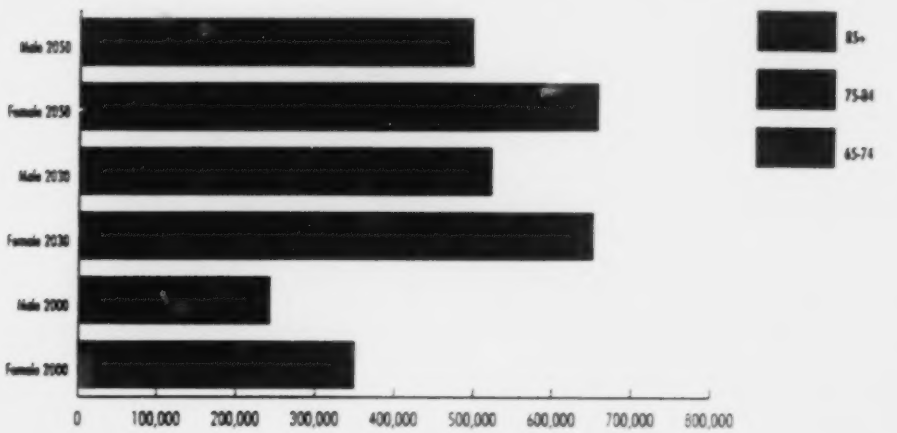
Between 2000 and 2030, the number of older women will continue to be larger than the number of older men, reflecting their higher life expectancy.

- However, because of expected decreases in the mortality rates of older men, the actual percentage that women represent within the older population will decline slightly between 2000 and 2030—from 59% to 55.5%—and the number of older men will grow faster than older women—115% compared to 86%.
- In 2000, there will be more than 100,000 more women over 65 than men (349,593 compared to 242,739).
- By 2030, there will be 130,000 more women over 65 than men (651,702 compared to 521,637).
- By 2050, there will be 160,000 more women over 65 than men (656,885 compared to 497,039).

Figure 3

Minnesota's Older Population 65+ by Gender and Age Group

2000 - 2050



Source: Minnesota's Demographer's Office, 1997

Cultural and Ethnic Diversity

Racial and ethnic diversity within Minnesota's older population will continue to increase over the next 50 years.

- About 80% of the total population growth in Minnesota between 2000 and 2030 will be in the nonwhite populations.
- Between 2000 and 2030, the percentage of Minnesota's older population that is nonwhite or Hispanic will grow from 1.5% to 4.5% or from 10,316 to 50,800. Minorities will make up a much larger share of younger age groups than of older groups, and will have much lower median ages than the white population.
- African American elderly will remain Minnesota's largest minority elderly group through 2020, although the Asian American elderly group will grow dramatically between 1990 and 2020.
- The American Indian elderly population will continue to be the smallest of the minority elderly groups in Minnesota even though it will triple in size between 1990 and 2020.
- Minnesota's Hispanic elderly population was the same size as the American Indian elderly population in 1990, but is expected to grow from 1,953 to 9,220, a 372% increase, between 1990 and 2020. The entire Hispanic population in Minnesota will increase by 172% during that same period.
- Nearly three-fourths of the minority elderly now live in the Twin Cities Metropolitan Area or the other metropolitan areas in the state. This concentration is likely to continue into 2030, although there will be some movement to other parts of the state.

Figure 4

White and Nonwhite Elderly 65+Population in Minnesota

1990 - 2020

(in percentages)

	1990	2000	2010	2020
Hispanic*	1,957	3,150	5,040	9,220
Other Race	450	880	1,600	3,420
American Indian	1,953	2,520	3,960	7,010
Asian-American	2,206	4,480	8,100	15,510
African-American	3,750	5,100	7,670	15,640

* *These pie charts do not include the Hispanic elderly since they can be white or non-white. However, their numbers are reported here (the first line in the table).*

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OTHER CHARACTERISTICS OF MINNESOTA'S FUTURE ELDERLY

Marriage Rates

Between 2000 and 2030, the number and percent of older people who are married will remain relatively stable. This is due to improved longevity especially for men and the fact that married persons have lower mortality rates.

- Elderly men are twice as likely to be married as women—about 64% vs. 31% in 1990. This difference will continue through 2010 but narrows somewhat by 2030. This is consistent with trends showing growing numbers of both men and women remaining single.
- By 2030 the percentage of men and women who were never married will increase significantly, more than doubling for men and women (combined) from 1990 to 2030.
- Even though the babyboomers' marriage experiences will change the marital profile (higher rates of divorce and lower marriage rates), projections indicate that the proportion of older women who are married will increase in nearly all age categories, primarily due to improved mortality rates for their husbands.
- The most significant increases in these rates will occur in the oldest age groups, thus increasing the proportion of the very old that will have a potential caregiver at home during their most vulnerable years.

Table 4

Marital Status Of Persons Age 65 And Older In Minnesota

1990 - 2030

	1990	2010	2030
Men Married	63.5	62.8	59.2
Previously Married	32.6	32.8	29.0
Never Married	3.9	4.4	11.7
Total Percent	100.0	100.0	100.0
Population	221,599	283,855	521,637
Women Married	31.0	30.8	32.9
Previously Married	64.5	65.5	58.8
Never Married	4.5	3.7	8.2
Total Percent	100.0	100.0	100.0
Population	325,335	387,933	651,702

Source: The Urban Institute Dynamic Simulation of Income model (DYNASIM), 1990.

Living Arrangements

For a number of reasons, the number and proportion of elderly living alone is expected to increase between 1995 and 2050. In 1995, there were 177,000 elderly one-person households or 48% of all elderly households. By 2050, this number will be 363,000 households or nearly 50% of all elderly households.

- Since World War II, the preference among unmarried elderly to live in their own housing has grown substantially, fueled by greater economic independence and reduced availability of adult children to live with. This trend is expected to continue.
- Babyboomers who had children will enter their senior years with an average of 1.94 children, and 18% will be childless, thus increasing the likelihood that they will live alone rather than with children if they are unmarried.
- Although there will be greater *numbers* of older persons living alone in the state's metropolitan areas, persons living alone will represent a larger *proportion* of all households in the northwest, northeast and southwestern regions of the state.
- This increase in the number of older persons living alone will exert pressure on formal services as fewer elderly live with caregivers in the future.

Table 5

Living Arrangements for Older Persons in Minnesota Number and Percentages of Households

1995 - 2050

Living Arrangement	1995	2010	2030	2050
Married Couples	164,850	188,460	348,062	317,066
Other family households	23,550	27,300	46,788	45,853
Living alone (total)	177,020	203,770	352,667	362,798
Male	36,970	45,000	87,407	87,912
Female	140,050	158,770	265,260	274,886
Other non-family households	4,790	5,410	9,562	9,107
Total	370,210	424,940	757,079	734,824
Percentage Distribution				
Married Couples	44.4	44.4	46.0	43.1
Other family households	6.4	6.3	6.1	6.2
Living alone (total)	48.0	48.1	46.6	49.4
Male	10.0	10.5	11.5	12.0
Female	38.0	37.6	35.1	37.4
Other non-family households	1.2	1.2	1.3	1.3
Total	100.0	100.0	100.0	100.0

Source: Minnesota Demographer's Office, 1997

Housing and Service Arrangements

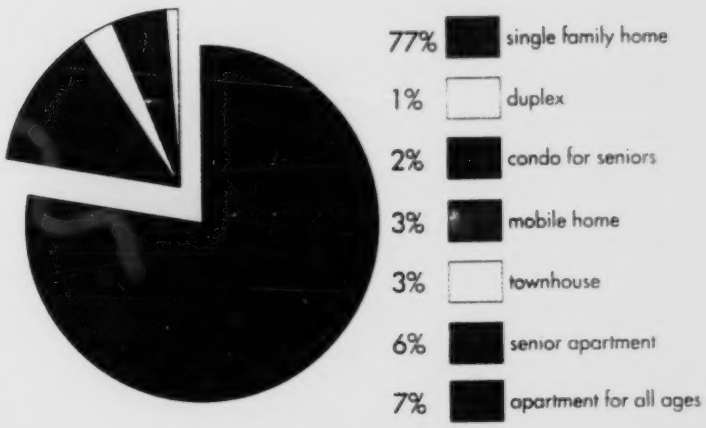
It is expected that a majority of babyboomers in Minnesota will own their homes and live there during retirement. However, all boomers will have had to spend a larger share of their income on housing costs than previous generations, leaving fewer dollars for current expenses or savings.

- The overwhelming majority (77%) of Minnesota's current elderly population lives in single family homes and also owns these homes (86%). Another 13% live in apartments, with an even split between apartments for all ages and senior apartments.
- It is likely that the current homeownership rate will continue through the retirement of the first wave of babyboomers. But fewer of the younger boomers will own homes and many will not have housing wealth as an asset during their retirement years.
- While the majority of older people in Minnesota will live in single family homes that they own, an increasing number will have lived in other types of housing and will be interested in other options when they reach retirement age.
- It is very likely that the number of very low-income, very old renters will increase in the future, especially between 2030 and 2050: at this time the unmarried women over 85 will still include many women who did not enter in the labor market until later and therefore have lower incomes.
- The demand for greater diversity in housing options at affordable prices will begin to build as the younger boomers reach retirement age. Because of the "baby bust" generation behind the boomers, there will be fewer buyers for the homes of the boomers, thus reducing the sale price and making it more difficult for the boomers to sell and move to other options.

Figure 5

Current Housing and Service Arrangements of Older People in Minnesota

1995



Source: Survey of Older Minnesotans, Minnesota Board on Aging, 1995

Educational Attainment

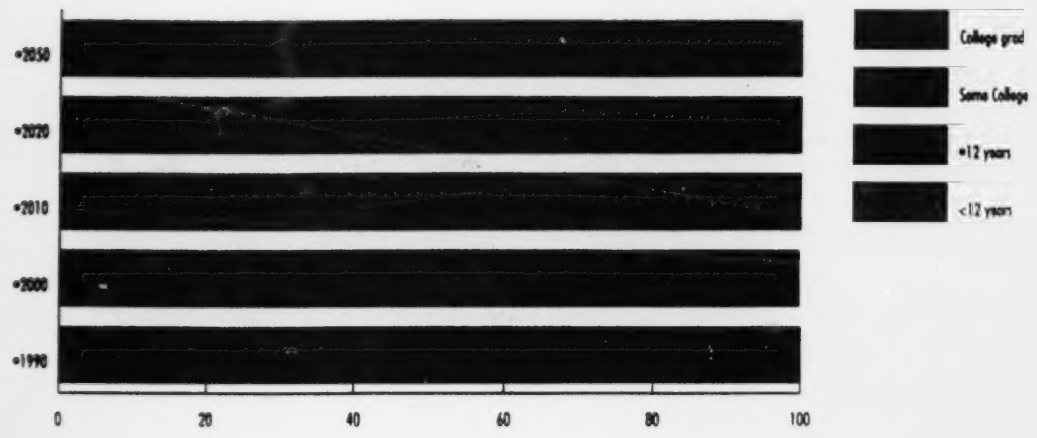
The level of education among older persons has been climbing since the 1970s and will continue this ascent into the next century.

- This rise is due to the older, less highly educated cohorts dying and being replaced by larger, younger and more highly educated cohorts of older persons.
- In 1970, 7.7% of the elderly had some college and 4.7% were college graduates. These percentages had risen to 19.9% and 12.6% by 1995, and are expected to rise to about 33% and 18% by 2010 when the older babyboomers begin retiring.
- Level of educational attainment is important because it usually correlates strongly with other characteristics such as the level of income, health status and life expectancy. In other words, the higher education levels of our future elderly may mean that they will have higher incomes, better health status and longer life expectancies than previous generations.

Figure 6

Educational Attainment of Minnesota's 65+ Population

1990 - 2050



Source: Minnesota Demographer's Office, 1997

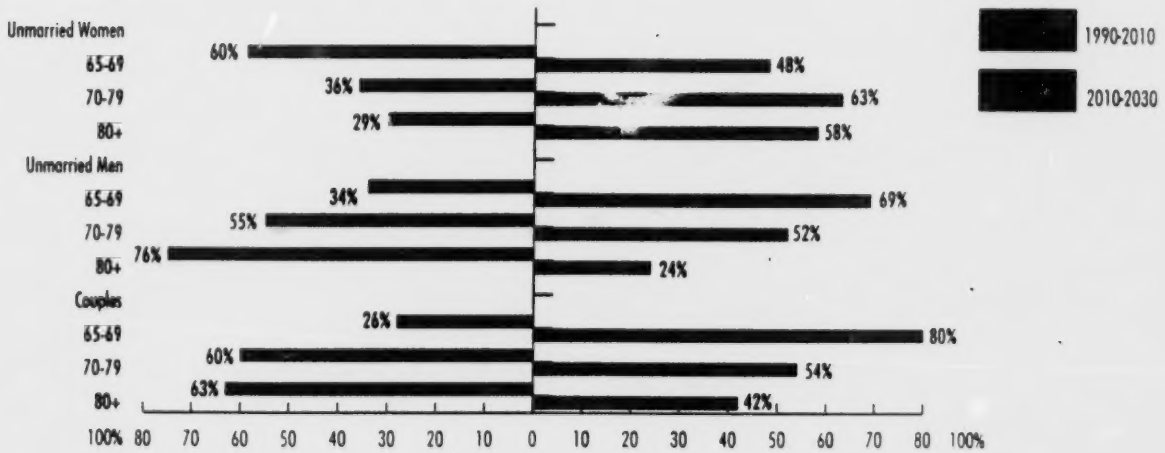
Income and Assets

The real incomes of older people are expected to rise between 1990 and 2030. But some subgroups of older persons will do better then others.

- Between 1990 and 2010, the income of married couples will increase more rapidly than that of other subgroups, but this will reverse itself between 2010 and 2030, when the incomes of unmarried men and women will increase more rapidly. These differences are primarily due to the fact that babyboomers who began their careers during the good economic times of the 1960's realized strong growth in their incomes during these early years, putting them ahead of their younger sisters and brothers. However, because the older generation of *women* babyboomers did not enter the labor force in as large numbers as their younger sisters, older unmarried women overall will not realize as much income growth as married couples and unmarried men.
- Growth in the incomes of younger babyboomers (those who turn 65 after 2030) will be much slower than that of older boomers. They entered the labor market in the 1970's when the economy was sluggish and incomes were not rising fast. In addition, this group will be the first to feel the full effects of the recently enacted changes in Social Security.
- The incomes of older people will actually grow more slowly between 1990 and 2030 than they did during the period 1967 to 1984. This period saw significant changes in Social Security (annual cost-of-living increases, establishment of Supplemental Security Income), dramatic increases in private pensions and high interest rates. Similarly, income levels for retirees in the 1990 –2030 period will be affected by changes in Social Security, private pensions, and financial asset accumulation, but in more negative ways.

Figure 7

Percentage Change in Real Median Income
1990 - 2030
U.S. Elderly Population



Source: Urban Institute's DYNASIM model, 1990

What factors will influence income and assets of babyboomers?

Social Security will continue to be the main source of income for a majority of babyboomers when they retire. Thus, anything that affects the level of Social Security benefits of older persons will strongly influence their income level overall.

- It is expected that virtually all elderly babyboomer households will receive Social Security benefits, but the benefit levels of the first wave of boomers will be higher than those received by the younger boomers who retire beginning in 2030.
- Several changes in Social Security will affect the benefits that elderly boomers receive. Most significant is the increase in the age at which full retirement benefits are paid. Beginning in 2000 and continuing until 2022, the retirement age at which full benefits are paid will rise two months per year. People can choose to retire at earlier ages, but their benefits will be reduced. For example, a person retiring at age 62 in 2022 will receive 70% of the full benefit payable at age 67. Because of wide variation in retirement and work patterns, this change means that those who retire after 2022 (the younger babyboomers) could receive benefits that are 12.5% lower than their older brothers and sisters.
- Another change increases the bonus for delaying retirement beyond the normal retirement age. Beginning in 1990, the delayed credit began to increase gradually from 3% to 8% per year in 2009. If early retirement is the choice of at least some of the boomers, these changes would further reduce their benefits level, or, on the other hand, if they delay retirement, the bonus provision would increase their income.

Several factors will increase the importance of pension income for future elderly.

- Coverage rates for pensions have been steadily increasing since the 1960s, so that now, about one-half of all workers are covered by a pension plan. However, this means that the other half of workers are *not covered* and do not have access to private pensions through their employment. Unfortunately, they may also be the boomers who do not have enough income to save privately for retirement.
- The Employment Retirement and Income Security Act (ERISA) of 1984 will have had the effect of mandating better, more comprehensive coverage for workers with pensions, so covered workers are more likely to receive an adequate pension when they retire.
- Another important change is that women would have spent more time in the labor force and thus will be more likely to have their own pension coverage. Since older women are the ones at greatest risk for inadequate incomes, this change will make a significant difference in women's income status. Their pensions are still likely to be less than one-half of those for men, but this gap will narrow in the future.

Table 6

Projected Distribution of Cash Income for Older Persons

(U.S. figures in percentages)
1990 - 2030

Income	1990	2010	2030
Married Couples			
<$5,000	2.5	2.0	0
$5,000 - 15,000	44.5	15.0	2.5
$15,000 - 25,000	32.1	36.9	16.6
$25,000 - $50,000	15.0	36	50.0
50,000+	5.8	11.9	30.9
Total	100.0	100.0	100.0
Unmarried Men			
<$5,000	20.9	7.6	1.7
$5,000 - 15,000	68.6	63.6	38.5
$15,000 - 25,000	6.9	19.7	33.7
$25,000 - $50,000	2.3	6.3	20.5
50,000+	1.4	2.8	4.6
Total	100.0	100.0	100.0
Unmarried Women			
<$5,000	34.9	18.0	4.0
$5,000 - 15,000	61.4	72.0	56.9
$15,000 - 25,000	2.5	7.5	29.6
$25,000 - $50,000	0.8	1.6	8.1
50,000+	0.4	0.9	1.4
Total	100.0	100.0	100.0

Source: Urban Institute's DYNASIM model, 1990.

Asset income is another important source of income for many older persons. Such assets as savings accounts, investments in stocks, bonds, or trusts provide a complement to Social Security income and pension income.

- Experts predict that asset income will grow at about the same rate as the GNP over the next thirty years. The distribution of this asset income within the older population is tied to socioeconomic characteristics.
- In 1995, over three-fourths of older persons in Minnesota had some savings and asset income. Higher income elderly were more likely to have savings and asset income. Asset income is positively correlated with having other retirement income, education, home ownership and marriage.

- While a majority of older persons are expected to have some asset income in the future, very few of them are expected to have substantial assets. Experts predict that the distribution of this income will be very lop-sided, with about 50% of boomers holding less than $5,000 in such assets, and only 7% with $100,000 or more (in 1988 dollars).
- The relative share that asset income will represent in future income streams of older persons in 2010 and 2030 is tied to a variety of other factors including the savings rate, the level of out-of-pocket health care expenditures, and the rate of return on savings and investments available between now and 2030.

The result of all of these changes is that Social Security will continue to be the major source of retirement income for many older persons in the future, with pensions assuming an increasing importance for some. The role of income from employment and assets or other sources will remain secondary.

In summary, married couples will likely retain their relatively high income position in the future. However, substantial numbers of elderly will remain financially at risk. A full 60% of unmarried women will have income below $15,000 in 2030. This risk will be greatest when they are much older, more likely living alone and having more problems with functional limitations.

What is the savings rate of babyboomers?

- There is a lot of controversy surrounding the current savings rate of babyboomers. The most frequently quoted study estimates that the savings rate has declined from 7% in the 1960s to 3.8% in 1997. Other studies have found that, excluding the equity they have in their homes, babyboomers are savings only about one-third of what they will need in retirement. Others worry that too much of the boomer's wealth is in their housing equity which is subject to market fluctuations.
- The Congressional Budget Office estimates that the current savings rate of babyboomers is influenced by life-cycle factors, and that savings rates will increase as the boomers mature, finish paying for their children's needs including education. A recent survey of older boomers--now in their late 40's--found that they are in fact increasing their savings rates as their responsibilities for children's educations, etc. decline. Those who had children later are still paying these bills.
- With respect to asset income, experts point out that the boomers are likely to inherit substantial wealth from their parents. This is estimated to be over $3 trillion nationally. However, the distribution of this inheritance is expected to be skewed in favor of the boomers with higher incomes.
- Regardless of the way in which the current and future wealth of boomers is computed, most experts agree that boomers are not saving at levels necessary to provide for a comfortable retirement income (recommended at about 80 percent of income prior to retirement).

Table 7

Source of Income of Older Persons in Minnesota: Projections for Married Couples and Unmarried Men and Women
1995 to 2030

	1995	2010	2030
Married Couples			
Number	164,850	188,460	266,330
Median Income	$25,050	$34,000	$46,000
Percentage of income from:			
Social Security	42	37	37
Pensions	11	18	21
Earnings	33	28	30
Asset Income	14	16	11
Other	—	1	1
Total	100	100	100
Unmarried Men			
Number	36,970	45,000	61,930
Median Income	$16,600	$20,500	$27,900
Percentage of income from:			
Social Security	57	48	49
Pensions	14	23	29
Earnings	20	20	16
Asset Income	6	8	4
Other	3	1	2
Total	100	100	100
Unmarried Women			
Number	140,050	158,770	200,300
Median Income	$11,500	$14,500	$1[illegible]
Percentage of income from:			
Social Security	71	69	68
Pensions	7	13	20
Earnings	10	8	8
Asset Income	3	7	3
Other	9	3	1
Total	100	100	100

Source: projections from the Urban Institute's DYNASIM model, baseline mortality and health assumptions using Minnesota-specific data from 1995 Survey of Older Minnesotans and population projections from Minnesota Demographer's Office, 1997.

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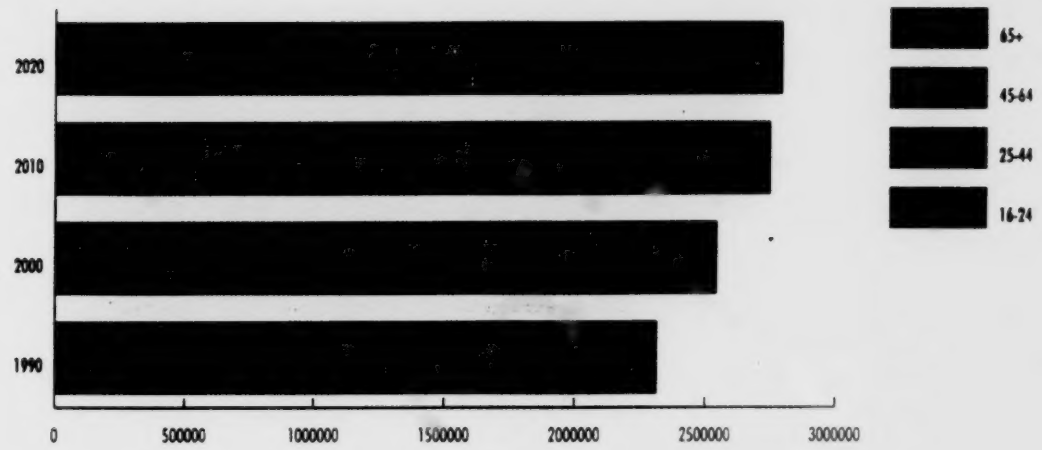
Figure 8

Minnesota's Labor Force by Age Group

1990 — 2050



Source: Minnesota Demographer's Office, 1997

	1990	2010	2030	2050
65+	82,561	90,430	186,178	182,282
45-64	573,795	1,083,190	980,041	985,339
25-44	1,278,580	1,131,220	1,162,681	1,103,315
16-24	400,039	443,390	391,879	368,018

Changes in Retirement and Labor Force Participation

The early retirement trend that began in the 1960s appears to be over. Since about 1984, the labor force participation rates for both men and women 55 and over have been going up, and this trend is expected to continue into 2030 and beyond.

- Increasingly, over the next 30 years, retirement and work patterns are expected to diversify, with no one dominant pattern. The importance of "gradual" retirement is likely to increase in the future, as both men and women leave career jobs and find "bridge" jobs (often part-time and sometimes self-employment) from which they retire gradually.
- Over the past 10 years, the work environment has become more "pro work" for older workers. Examples include the higher earnings test and the bonus for delaying retirement in the Social Security program, and the elimination of mandatory retirement. However, experts predict that even though benefits are pro work, employers will still have few incentives to hire older workers and many incentives to avoid them.
- Between 1990 and 2020, the number of older workers in Minnesota (those over 45) will increase by 83%, while the number under 45 will decrease. The overall growth in the labor force will gradually slow from 30% growth in the 1980s, to an overall rate of 2% between 2010 and 2020.
- The proportion of persons working past age 55 will increase from 45% in 1990 to 65% in 2020. Almost all of this increase will be attributable to persons between ages 55 and 64, rather than the 65+ population.
- According to the 1995 Survey of Older Minnesotans, about 23% of older persons 60 and over in Minnesota are employed, and among those 65 and over, 16% are employed, nearly all of them on a part-time basis.
- Nationally, earnings from work have declined in recent years as a source of income for older persons, from 23% in 1988 to 17% in 1995. However, in Minnesota, they have remained constant, although somewhat lower, representing 13% of the income of older persons for those same years. Between 1995 and 2030, the percent of income from earnings is expected to remain relatively stable.

DISABILITY AND LONG TERM CARE

Disability Rates

A key variable in determining the future demand and cost of long term care services is the health of the future older population. In the past, varying disability rates have been included in scenarios projecting future levels of disability because of the lack of conclusive evidence that rates were going up or down. Recently, however, a major research effort has found strong evidence that disability rates among older persons have gone down somewhat, and that this decline is expected to continue. Using the rates derived in this 1997 study, one scenario for the total number of older persons with some disability or impairments in the future can be developed. (It is important to note that many methods and definitions can be used to estimate levels of disability within a population.)

- Applying to these new research results, the estimated number of older persons in Minnesota with chronic disabilities (either disabled in "instrumental activities of daily living" (IADLs) such as grocery shopping, or "activities of daily living" (ADLs) such as personal care), was 135,000 in 1995. This number increases to 164,000 in 2010, 260,000 by 2030, and to 310,000 in 2050. If the disability rates had remained at previous levels, these figures would have been an average of 10% higher.
- In addition, there is also evidence to suggest that disability rates among boomers may not absolutely decline, but rather change and reflect new types of impairments, for example, back pain, asthma, carpal tunnel syndrome. *These disabilities not only limit ADLs but also ability to work.*
- What is difficult to estimate is the proportion of these disabled senior boomers who would need formal in-home or nursing home care. The increased numbers of persons living alone, together with the reduced availability of adult children to provide care, suggest that the proportions relying on formal sources of assistance (rather than informal sources such as family and friends) would be greater than they are today.

Future Need for Long Term Care

The changing profile of Minnesota's senior boomers will dramatically affect the need for long term care in the future. Even with a decline in disability rates, the number of older persons with some functional limitations in activities of daily living (ADLs) will double over the next 40 years. This trend by itself will no doubt increase the need for long term care services. Future demand for services is also linked to the availability of family caregivers. While the proportion of boomers who are married will be relatively stable, the proportion of senior boomers living alone will increase and the *number* of such households will more than double over the next 40 years. In addition, the number of adult

Table 8

Age-specific Estimates of Chronic Disability Prevalence in Minnesota's Older Population *1995 – 2050*

	1995	2010	2030	2050
Nondisabled				
65 – 74	264,268	306,115	559,336	474,603
75 –84	144,064	156,016	291,479	268,113
85+	32,068	45,213	57,317	100,851
IADL-impaired				
65 – 74	25,083	29,055	53,089	45,047
75 – 84	42,174	45,673	85,330	78,490
85+	42,040	59,272	75,140	132,210
ADL-impaired				
65 – 74	9,256	10,722	19,592	16,624
75 – 84	10,839	11,738	21,930	20,172
85+	5,743	8,097	10,266	18,062
85+	42,040	59,272	75,140	132,210
Total Disabled (unduplicated)	135,058	164,444	265,207	310,357

Source: Manton, Corder, and Stallard, 1997

children available to care for their parents will be at an all-time low. Without family available, older persons with functional limitations must turn to other sources--neighbors, friends, or formal agencies. Because of the high cost of long term care services, the senior boomer's ability to purchase these services becomes an important consideration. While the real income of senior boomers will rise--especially for married couples, unmarried men, and the first wave of boomers--it is likely that a proportion of the elderly population will continue to be financially at risk, especially unmarried women and the very old. Accumulation of assets and related income is also likely to remain skewed toward the higher income groups.

Conclusion

While many of the characteristics of tomorrow's senior boom are inevitable, there are some which can be positively influenced through policies and actions of individuals, the private sector and government. For example, disability rates can be lowered, savings rates can be increased, the housing and related infrastructures within our communities can be made more "age-sensitive" to eliminate the need for some long term care assistance in the future. In addition, the creative use of our aging labor force and a new definition of "productive aging" for the boomers when they retire could unleash one of the most untapped human resources within the state, and enhance our state's economic growth.

Working together with a broad array of public and private partners throughout Minnesota, we can prepare for the challenges posed by 2030 and beyond.

■ ■ ■ ■ ■

Future Project 2030 reports will deal in more detail with the issues raised and factors discussed in this briefing book.

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Minnesota Department of Human Services

Aging Initiative: Project 2030
444 Lafayette Road North
St. Paul, MN 55155-3843
612-296-2062

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PROJECT 2030 AGING INITIATIVE

FINAL REPORT

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December 1998

Project 2030 is an initiative of the State of Minnesota, housed within the Minnesota Department of Human Services and carried out in partnership with the Minnesota Board on Aging. The project is identifying the impact of the aging of the baby boom generation, and preparing the state's response to the challenges posed by this change in Minnesota's age structure.

This report is the final report in a series of policy reports published as part of the Project 2030 initiative.

For more information about Project 2030 contact:
Aging Initiative: Project 2030
MN Department of Human Services
444 Lafayette Road
St. Paul, MN 55155-3844

651-296-2062
larhae.knatterud@state.mn.us
http://www.dhs.state.mn.us

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BACKGROUND

Introduction

Between now and 2030, Minnesota will experience the most profound age shift in its history. Along with the rest of the nation and the world, we will become older not just as individuals but as a society. Such a major shift in the age of a society has never happened before and as such, there are few touchstones from other times and places to guide us into this new age.

In 1990, **one in eight** Minnesotans was 65 years or older.

In 2030, **one in four** Minnesotans will be 65 years or older.

The baby boomers represent the leading edge of this coming age wave. Just as they did when they were born, the baby boomers will once again lead us into uncharted territory as they age and grow old. As the largest generation ever born (76 million strong in the country, and about 1.5 million in Minnesota), this generation fueled the economy, the building of schools and homes, and an enormous expansion in the labor market. Now the "senior" boom will fuel the market for goods and services related to age and its special needs and demands--leisure pursuits, new ways of combining work, and lifelong learning, new kinds of housing, products that maintain the image of youth, and products and services to help us adapt to our aging and frailty.

As with any enormous social change, this process of growing up and growing old as a society brings with it both opportunities and challenges. In 2030, for the first time in our history, we will have a large number and proportion (one in every four Minnesotans) of *our population over 65.* Most of this group will be healthy, with long life expectancies. This group of "young old" will represent the first time ever that such a group has been a major force in society, with the time and energy to pursue leisure and lifelong learning, work, and family, community and civic activities. Some experts predict that they will perhaps be the only ones with enough time to "take time" to provide comfort, tell stories, literally bind us together in our increasingly harried and hectic world.

Later, in 2050, we will have the largest number ever of *people over 85.* Because of the inevitable increases in disability that still accompany our aging process, those over 85 are the elderly most likely to need health care and long term support from their families and others. Because of the size of this cohort (one out of every five older Minnesotans), their need for service and support is likely to overwhelm the traditional responses of family, private sector and government. Increased demand for long term care from paid sources, for example, could outstrip the supply and increase the

costs beyond the reach of most elderly. In order to get needed long term care, more older people could be forced into publicly-funded safety net programs which will strain the state's ability to provide support. Responding to this challenge will require new ways of helping families, communities and others support older people.

Other changes are in the works that will also influence how we as a society respond to the coming age wave. The actual numbers, characteristics and growing diversity of the senior boom will, of course, be an important part of what ultimately happens. Also affecting our response will be social, political and economic trends such as continuing changes in families, in communities, in "retirement" and employment patterns of older persons, and changes in the role of government.

Changes in *other* systems will also affect the current and future status of older people. Two critical changes that need to be closely monitored are the eventual redesign of the largest entitlement programs for older people—Social Security and Medicare. One cannot overestimate the importance of these programs for every older person, since they form the basis of economic security for persons over 65 in this country. Changes are likely to reduce—rather than increase—benefits, and thus will have even greater implications for what state and local governments (as well as individuals) may be called upon to provide.

Another critical issue closer to home is the ongoing redesign of Minnesota's health care system. Because older people are major users of health care, any change in this system has spillover effects on other systems as well. Other important trends include the growing response by the business sector to the "mature" market, increasing suburbanization of our population, and future labor supply issues. Of course underlying many of these issues is the shape of the state's economy over the next 30 years, including the dramatic shifts underway in Minnesota's rural economy, and how this will affect and be affected by the aging of our population.

This change in our age structure will have major effects on all parts of our society--individuals, families, communities, businesses and all levels of government. Exactly what these effects will be and how they will play out can only be partially known—projections are never perfect. But there is a lot that we *do* know and much more we can speculate about to construct some "scenarios" for the future and develop informed responses. Matching our responses to the needs and resources of older persons will require careful planning by all sectors. Because social change and changes in infrastructure both take time, now is the time to consider the impact of Minnesota's aging in the 21st century.

What is Project 2030?

How does a state respond and prepare for a permanent change in its age structure? That has been the central question for Project 2030, a two-year state initiative to identify the impacts of the baby boom generation and begin to prepare a state response to the changes that accompany the aging of the baby boom generation—and the aging of Minnesota's population that this "senior boom" announces.

Project 2030 is housed within the Minnesota Department of Human Services and is being carried out in partnership with the Minnesota Board on Aging. For two years—1997 and 1998—the project engaged a broad range of public and private groups and organizations in discussions and activities to answer the following questions:

- What do these demographic changes mean for Minnesotans—as individuals, families, communities, businesses, state and local levels of government?
- What do we need to do now and in the future to prepare—individually and collectively?

Engaging Minnesotans in Their Future

Project 2030 staff spent time analyzing the facts and figures associated with the state's changing demographics and presenting these to groups around the state to initiate the discussion. The results included suggestions, recommendations, concerns, warnings and advice from individuals and groups for how to address these challenges and to prepare for 2030.

Project 2030 developed three major partnerships in order to expand the discussions about these important issues and engage additional groups and organizations in the process. Each partnership provided a valuable—and unique—perspective on 2030 issues.

Minnesota Board on Aging

The Minnesota Board on Aging (MBA) was a major partner with the Minnesota Department of Human Services on Project 2030. It was specifically charged to work on three issue areas:

1. Building communities that meet future needs.
2. Ensuring a strong workforce for tomorrow's economy.
3. Increasing choice and options for tomorrow's elderly.

During 1997 and 1998, the Minnesota Board on Aging, in collaboration with its Area Agencies on Aging across the state, and with corporate sponsorship from 3M, Honeywell, and Cargill, hosted 17 community forums to initiate public discussion about 2030 issues with communities. Over 1,800 persons attended these forums. The intent of these community forums was to raise public awareness of the coming age wave and to initiate local discussion about the opportunities and challenges posed by the aging of Minnesota's population.

In addition, the MBA's policy committees further refined key 2030 issues related to its charge. A special 2030 committee reviewed the voluminous materials and reports from the community forums along with the policy committee conclusions and oversaw the completion of a summary of all the forums throughout the state. Their report, *Preparing for the Future: Minnesotans Identify the Opportunities and Challenges of an Aging Society,* is available from the Department of Human Services (DHS). See Appendix A for a complete listing of 2030 publications.

Minnesota State Departments

Early in 1998, the governor's office together with the commissioner of the Department of Human Services asked each state department to appoint a liaison to Project 2030 to assess each department's readiness for 2030. Each department analyzed the implications of the aging baby boom for its department's business, determined what actions were currently being taken to address these issues, and what actions were needed to prepare for the future. The state liaisons met together at least monthly between May and October 1998 to develop Project 2030 issue papers, discuss common issues related to 2030 and possible collaborative approaches among departments. A summary report, *Assessing Minnesota's Readiness: Report of State Department Liaisons,* is available from DHS.

Citizens League

The Citizens League completed a series of public forums and a policy report in 1998 called *A New Wrinkle on Aging.* This effort was a joint venture between the Citizens League and the Minnesota Department of Human Services. The department contracted with the Citizens League to organize and administer a citizen-based policy study that took a deliberative look at the issues, consequences and choices facing the State of Minnesota and its residents regarding the aging of its population. The report focused on setting a vision for 2030, listing current trends, the consequences of not acting, and initial policy steps for lawmakers, public agencies, nonprofit organizations and businesses that address policy issues related to aging in Minnesota. Their report, *A New Wrinkle on Aging: Baby Steps to 2030,* is available from DHS, and also on the Citizens League's website at www.citizensleague.net.

Other Sources of Information

Project 2030 efforts included analysis of a number of issues related to the aging of Minnesota's population. Staff issue papers were prepared on health and long term care, changing communities, and workforce and economic vitality. Market research on baby boomer attitudes and preparation for retirement was completed under contract, as was an issue paper on employee benefits in 2030.

Other activities included presentations on 2030 themes and issues to a wide range of groups and organizations throughout Minnesota. Roundtable discussions were held with some stakeholders to focus more intensively on specific issues. Partnerships were also formed with organizations that had similar policy goals, including the Minnesota Extension Service. Reports were prepared on demographic changes across the state, regions and counties, as was a report on the 2030 changes and issues within Minnesota's culturally and ethnically diverse elderly populations. See the Appendix A for a complete listing of these reports and papers. See also Appendix B for the list of other references used to write this report.

About This Report

This final report has been prepared for the governor, legislators, other policymakers in the business and nonprofit sectors, local elected officials, all those who participated in this process and the people of Minnesota. It is the result of the work of literally thousands of Minnesotans over the past two years.

This report incorporates material from earlier 2030 reports and papers and draws particularly on the three policy reports prepared by the Project 2030 partners. The "trends" sections incorporate material from the Project 2030 issues papers and summaries of MBA community forums. The information in the "vision for 2030" sections is taken primarily from the Citizens League report. The sections containing suggestions for the future incorporate material from all three policy reports prepared by our Project 2030 partners and from many other discussions held over the past two years . The 2030 milestones included in each section were developed with the assistance of the 26 state department liaisons through the workgroups established in that process.

The report includes general discussion of the demographic realities we face between now and 2030, the implications of these facts, the trends affecting various issues in 2030, policy directions to prepare us for the future, suggestions from Minnesotans for how to prepare for 2030, 2030 milestones to measure our progress, an assessment of our readiness as a state for 2030, assessment of the effects of 2030 on other sectors, and concluding remarks about outcomes achieved by Project 2030.

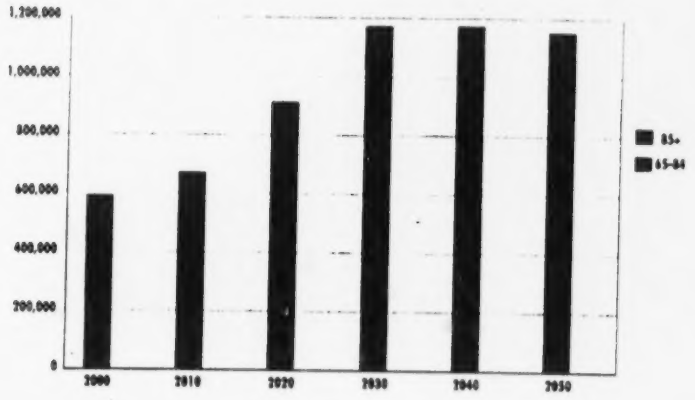
DEMOGRAPHIC REALITIES

Minnesota is growing older.

The numbers are rising.

- Between 2000 and 2030, Minnesota's population over 65 will double, from 600,000 to 1.2 million.
- Between 2000 and 2050, our population over 85 will nearly triple, from 90,000 to 250,000.

Figure 1
Minnesota's Older Population
by Age Group
2000-2050



Source: Minnesota Demographer's Office, 1997

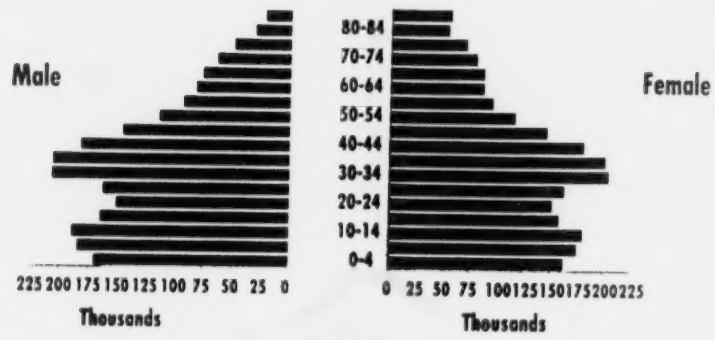
The proportions are increasing.

- The proportion of the state's population over 65 will rise from 12% in 2000 to 24% in 2030, when one out of four Minnesotans will be over 65.
- Because life expectancies have increased, the proportion of the older population that is over 85 will rise dramatically beginning in 2030, increasing from 12% in 2030 to 22% in 2050.

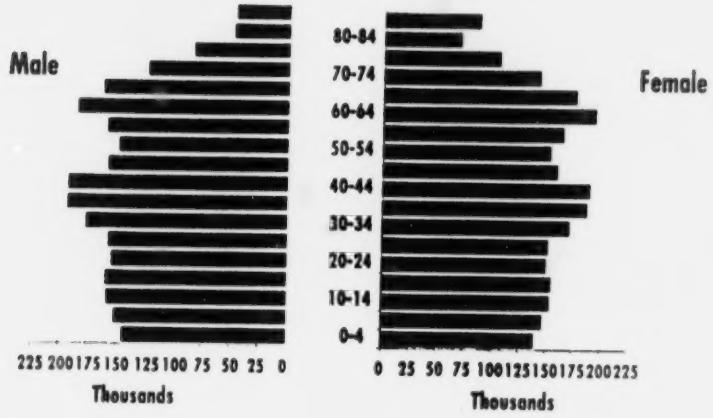
Minnesota's baby boomers will be the leading edge of a permanent change in our age structure.

- By 2030, Minnesota's population age "pyramid" will be more rectangular than triangular, with the large boomer generation at the top of the pyramid.

Figure 2
Minnesota Population
by Age and Sex
1995



2025

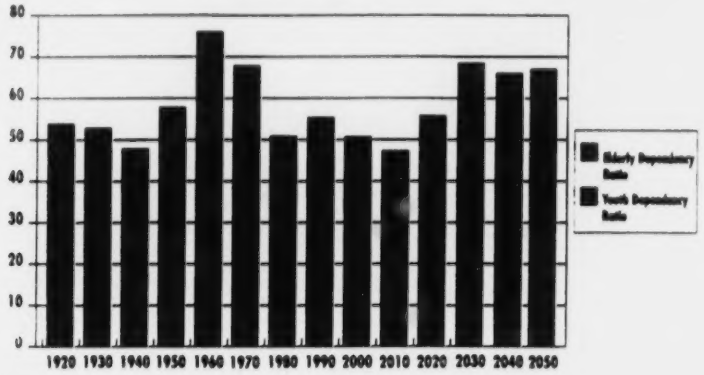


Source: Minnesota Board on Aging, 1998

Minnesota's elderly dependency ratio will rise sharply in 2030.

- A commonly used measure of the relationship between the working-age population and the economically dependent population is the *dependency ratio.*
- The elderly dependency ratio which has been fairly stable since 1960 will remain stable until about 2010. Between 2010 and 2030 it will rise sharply from 20.4 to 38.0 then remain stable through 2050 and into the foreseeable future.
- Even though the baby boom generation is large and will experience increases in life expectancy, Minnesota's dependency ratio in 2030 will actually be lower than it was in 1960 when it reached its 20th century maximum (76.1) at the height of the baby boom. The ratio will reach an all-time low in 2010 (47.3), then begin to rise to 66.4 in 2030.

Figure 3
Minnesota's Dependency Ratios:
Ratio of Dependent to Working Age Population
1920-2050

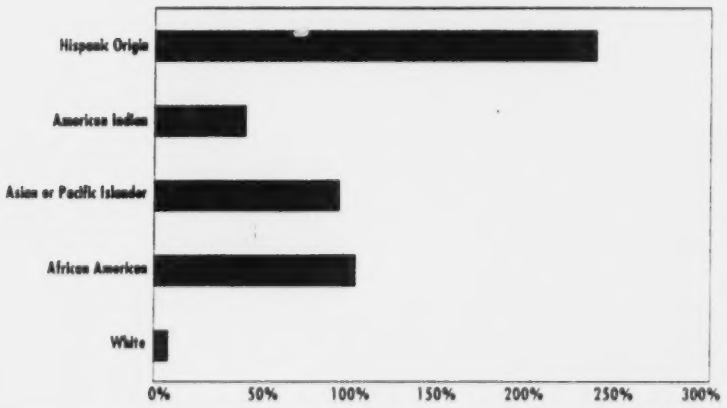


Source: Minnesota Demographer's Office, 1997

Minnesota's population will be more culturally and ethnically diverse in 2030.

- About 80% of the *total* population growth in Minnesota between 2000 and 2030 will be in the African American, American Indian, Asian American, Hispanic and new immigrant populations, signaling a major increase in the elderly within these populations *after* 2030.
- Between 2000 and 2030, the percentage of Minnesota's older population that is African American, American Indian, Asian American, Hispanic or part of new immigrant groups will grow from 1.5% to 4.5%, or from 10,316 to 50,800 persons.

Figure 4
Growth in Minnesota's Population by Ethnic Group
1995-2025

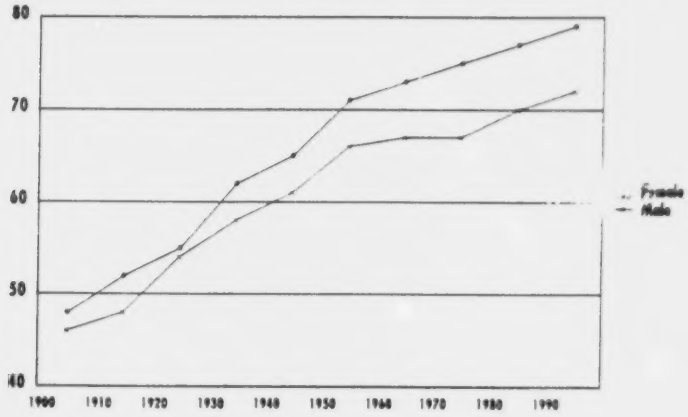


Source: Minnesota Demographer's Office, 1998

In 2030, the number of older women will outnumber older men.

- In 2030, there will be 130,000 more women than men—651,702 women compared to 521,637 men.
- In 2050, there will be 160,000 more women than men—656,885 women compared to 497,039 men.
- Because of continuing disparities in life expectancies and income between women and men, many of the challenges in aging between 2030 and 2050 will be felt most acutely by older women, who have outlived their husbands or other relatives, and face old age and functional impairments with limited incomes and few family resources on which to draw.

Figure 5
Life Expectancy at Birth by Gender, 1900-1990

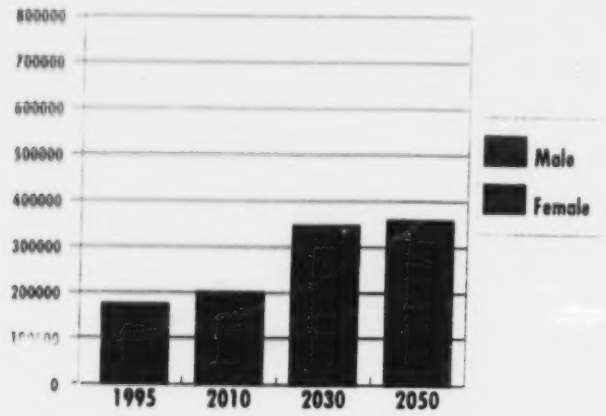


Source: Robert Wood Johnson Foundation, 1998 (nationwide data)

The number of older persons living alone will double by 2030.

- While marriage rates between now and 2030 will remain relatively stable, the numbers of both men and women living alone will greatly increase. This will result from an increase in those choosing to remain single, higher rates of separation and divorce, and smaller families.
- Since World War II, the preference among unmarried elderly has been to live alone in their own housing. This preference has been fueled by greater economic independence and the reduced willingness of parents and adult children to live in the same household. Increased geographic mobility of children and the design of the current housing stock (single family homes without "spare" bedrooms and limited common space) will continue this trend in the future.

Figure 6
Number of Older Persons in Minnesota Living Alone 1995-2050



Source: Minnesota Demographer's Office, 1997

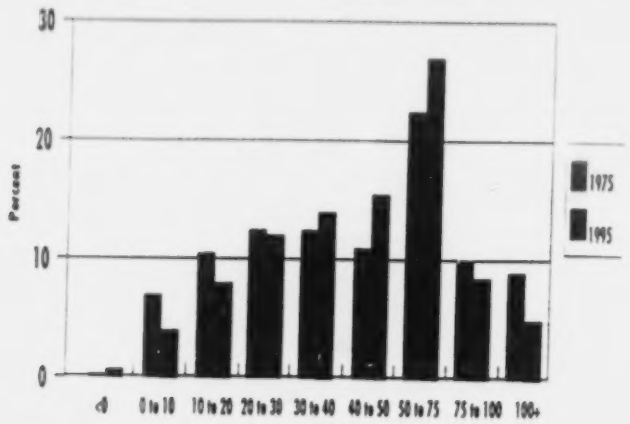
Most of Minnesota's baby boomers own their own homes and will live there during their retirement.

- The overwhelming majority (86%) of Minnesota's current older population lives in single family homes that they own. Another 13% live in apartments with an even split between apartments for all ages and senior apartments. It is likely that the older boomers will continue their preference for single family homes, but fewer of the younger boomers will own homes and have housing wealth as an asset during their retirement years.
- The demand for greater diversity in housing options at affordable prices is already an issue and will intensify as the younger boomers reach retirement age. They generally have lower incomes than older boomers, so affordability will be an increasingly critical issue.
- Because of the "baby bust" generation behind the boomers, there will be fewer buyers for the homes of the boomers. This situation could lead to reduced sales prices for these homes, making it more difficult for boomers to sell and move to other options. Boomers with too much of their financial assets tied up in their housing will be particularly affected.

The average real income of baby boomers will be higher than that of their parents, but there will be growing disparity between the "haves" and the "have nots."

- While their real incomes will be higher than those of their parents, the incomes of boomers will actually grow more slowly between 1990 and 2030 than during the period 1967 to 1984. This earlier period saw significant expansions in Social Security, dramatic increases in private pensions and high interest rates. Income levels for retirees in the 1990 to 2030 period will be affected by changes in Social Security, private pensions and financial asset accumulation but in more negative ways.

Figure 7
Distribution of Income among Baby Boomers in 1995 Compared to Same Age Group in 1975



Source: American Association of Retired Persons, 1998

- Because of the differences in the economic growth during the 1970s and 1980s, the income of younger baby boomers will grow more slowly than that of their older brothers and sisters. In addition, since the mid-1970s, wage inequality has become more pronounced, and this has made and will continue to make the distribution of income among boomers more unequal than in past generations.

Summary

The arrival of the baby boom generation at mid-life has raised concerns about our society's ability to support the costs of an increasingly aging society. The demographic reality is that we *will* have more older people and there will be more diversity in their social and economic circumstances than ever before.

For most boomers, a strong Social Security program, a comprehensive Medicare program and flexible employment options will be critical to maintaining an adequate standard of living in their retirement. Some predict that rising out-of-pocket health care costs (including long term care costs) are perhaps the most serious threat to the boomer's economic status in the future.

Increasing pressures on these public programs call for greater emphasis on personal responsibility for boomers to plan, save and prepare for their retirement and old age. While many of the demographic characteristics of tomorrow's senior boom are inevitable, there are also many trends that can be positively influenced through policies and the actions of individuals, businesses and government. Often overlooked is the tremendous opportunity and resource that this huge number of older people represents. A new evolved definition of "contributory aging" that the senior boomers shape could unleash one of the most untapped human resources within the state and enhance our state's economic growth.

OVERALL 2030 THEMES

Given the demographic realities of Minnesota's changing age composition, what actions can Minnesota take to prepare for the impacts of this change? This is the question Project 2030 asked Minnesotans across the state. As discussions progressed, several critical themes emerged for how best to prepare for the age shifts that will accelerate in 2030. These four major themes have been used to organize the work on the project and the information contained in this final report.

1. Helping baby boomers prepare for retirement.

It is clear from many articles and studies that the baby boom generation is not preparing adequately for their retirement. Given the potential for major reform in both Social Security and Medicare, personal savings and sound plans for nonfinancial parts of retirement will be even more essential in the future than in the past. Minnesotans feel that it is in everyone's best interests to stress personal responsibility for retirement planning and get this message out to not only the baby boomers but younger age groups as well.

2. Promoting personal responsibility for health maintenance and for long term care costs.

In addition to financial preparation, there is much each of us can do to take charge of our own health and planning for our old age. Because of the large number of people over 85 we will have by 2050, we will experience much higher levels of need for long term care and support than ever before. If we continue to use our current policies and long term care system as it is currently configured, we could have unprecedented numbers of our older population exhausting their family and financial resources and becoming dependent upon Medicaid, the welfare-based program for low-income persons in need of health care and long term care. This in turn would strain the state's ability to meet these needs.

Minnesotans feel there is much that individuals can and should do for themselves that would prevent disability and compress morbidity in their later years. They also see the need for more options for people who want to financially plan ahead and take care of their own long term care costs. Right now, there are few programs or products to help people take more responsibility for these costs.

3. Increasing the age-sensitivity of social, service and physical infrastructures within our communities.

As we age, the environment that surrounds us can either support us and help us "age in place," or it can present barriers and obstacles to remaining in the same housing or familiar neighborhood. As our society ages, we will not be able to afford to move all older people into special housing or environments that are specially designed for them and continue separate systems for "senior citizens." We need to think now about how the structures around all of us can be made more universally accessible and supportive so that we can all be supported and helped to remain in familiar surroundings and continue to take care of our own needs.

Minnesotans said making our communities more "age-sensitive"is a good investment and would pay off in many ways not the least of which is the continued integration of people of all ages and abilities in our communities. This integration enables us to stay a part of the community and take care of ourselves as long as possible.

4. Contributing to Minnesota's strong economic growth through creative use of our aging population both in the workforce and in nonpaid, contributory roles.

Minnesota is experiencing a labor shortage and this is likely to get worse as the baby boom generation ages into retirement. How to make best use of this aging population--either through incentives to stay in the labor force or through opportunities for nonpaid roles in the community--is seen as a key challenge that ties our demographic realities to the state's economic growth.

Minnesotans said that the disincentives for continuing or returning to work should be eliminated, and more thought given to the nonpaid, contributory ways that older people--now and in the future--can help their families, communities and civic causes.

HELPING BOOMERS PREPARE FOR RETIREMENT

Most experts agree that baby boomers are not preparing adequately for their retirement. Such preparation is central to the concept of life planning and setting goals early in order to be able to achieve them. Preparation involves saving enough to provide a comfortable retirement—recommended at about 80 percent of income prior to retirement. It also includes thinking about and planning for the nonfinancial aspects of retirement—whether to work, where and how to live, social connections and planning for long term care needs and end-of-life issues.

Without adequate resources, retirement could become a cruel hoax, as many boomers live on the edge financially, very dependent upon Social Security and other publicly-funded programs for their major source of income and coverage for health care.

The economic growth and increase in productivity that we are now experiencing in Minnesota presents an opportunity for those who are not in the habit of saving to begin doing so.

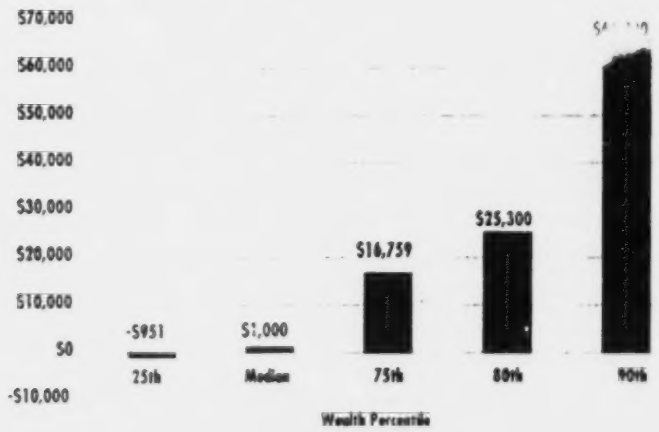
Why is Preparation Important?

The need for individuals to personally plan for their retirement and begin or increase their personal savings for retirement has never been clearer. Our nation is debating various methods of "saving" Social Security, none of which includes increasing benefits. At the same time, private pensions are fast becoming defined contribution plans rather than defined benefits plans, meaning that they no longer are as secure as they once were. In addition, Medicare, the federal health insurance program for persons over 65 and the disabled, is expected to begin running deficits within the next ten years. Since health care costs can be a major expense for retirees, this situation could mean additional out-of-pocket expenses for all retirees.

Existing and Future Trends

- Older people are becoming more—not less—dependent upon Social Security as their main source of income. Social Security is the main source of income for 46% of older Minnesotans. The trend toward earlier retirement, with more retirees taking Social Security benefits early and continuing to work, means that dependency on this entitlement program is growing even at a time when its financial viability is in question.
- Pension coverage has increased since the 1960s. Now, about one-half of all workers are covered by pensions. This means that about one-half of workers *are not covered* and do not have access to pensions through their employment. Experts do not expect pension coverage to expand in the future, and if it does, the movement toward defined contribution plans rather than defined benefits plans will continue. Nationally, the average annual income from pensions in 2030 is not expected to be much larger than today's—$6,600 now compared to $6,918 in 2030 (in 1990 dollars).
- At the national level, the median net worth of boomers, excluding home equity, was less than $8,500 for the bottom 60 percent in 1992. Even for the top 20% of boomers, the median net worth was only about $45,000.
- Most of the boomer's wealth is in the form of home equity. This is the least liquid form of assets since most older people prefer to remain in their homes as they age. An increase in the use of reverse mortgages by credit-savvy boomers could change this in the future.
- Baby boomers are saving only one-third the amount they should to maintain their preretirement living standards. One-third of the boomers can expect to be financially secure in retirement, one-third will be at high risk financially, while the remaining boomers will be "on the edge."

Figure 8
Financial Assets of Baby Boomers by Wealth Level, 1993



Source: American Association of Retired Persons, 1998 (nationwide data)

Attitudes of Minnesota's Baby Boomers

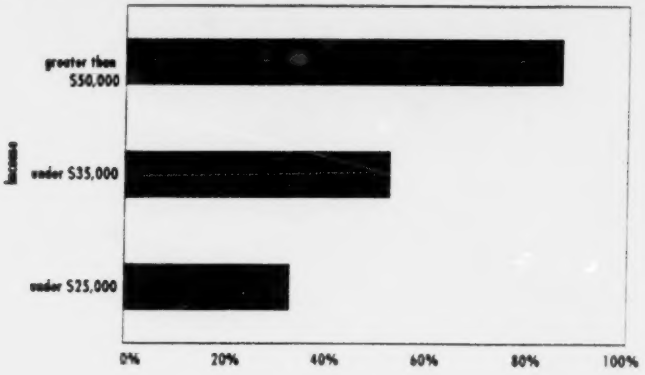
- Market research on the attitudes of Minnesota's boomers toward retirement and long term care insurance was completed for Project 2030 in 1997. This research included a telephone survey of 500 baby boomers and four focus group sessions throughout Minnesota, as well as key informant interviews with professionals in the field.
- About 75 percent of the boomers surveyed felt they would be able to "maintain a comfortable lifestyle during retirement." The typical respondent expected to live to be 84 years old, and 68 percent expected to be living in their current home or in another home but still living independently at that time. Only 1 percent said they would be in a nursing home in the years preceding their death.
- However, in spite of their optimism, they have significant underlying concerns about the quality of their lives in retirement. One-half of those surveyed are concerned that they will outlive their savings. About 40 percent are concerned that they will have to go back to work to make ends meet in retirement.
- Participants in the focus groups equated retirement planning with financial investing or saving. They began the discussions with the stated belief that nonfinancial retirement planning was not of much value. An hour into the focus group, most were surprised to find that information about nonfinancial retirement issues may be relevant and practical, e.g., where they will live, what they will do in retirement, how they will handle long term care needs.
- Day-to-day concerns overwhelm retirement planning for many boomers. Those surveyed felt that meeting routine expenses and just getting through the week takes all their energy and money.
- Boomers also consistently underestimate how much they need to save in order to replace 80 percent of their preretirement income. They believe that life is too unpredictable to make detailed decisions about the future because everything will change by the time they retire anyway.
- Participants in the 2030 community forums felt that the concept of "entitlement" sometimes becomes an incentive not to plan and take personal responsibility for the future, but instead to take a passive approach, waiting until one becomes eligible for benefits.

Retirement Planning Needs

- When asked about the kind of information and sources of information on retirement planning that would be most effective, both the boomers surveyed and those in focus groups indicated that simplicity and credibility were most important. Employers were seen as credible sources of information, and the most credible information was that sponsored or endorsed by several groups—employer, union, government, senior advocacy group, etc.
- The market research survey and focus groups found significant differences in attitudes of boomers by income levels. For example, while 75 percent of all those surveyed felt they would be able to maintain a comfortable lifestyle in retirement, only 53 percent of those with incomes under $35,000 felt they

would, and only 33 percent of those with incomes less than $25,000 felt they would. Lower income groups were caught up in trying to meet day-to-day expenses and were more likely to see government as the payer for their nursing home costs.

Figure 9
Proportion of Minnesota Boomers Who Feel They Will Be Able to Maintain a Comfortable Lifestyle in Retirement (1997)



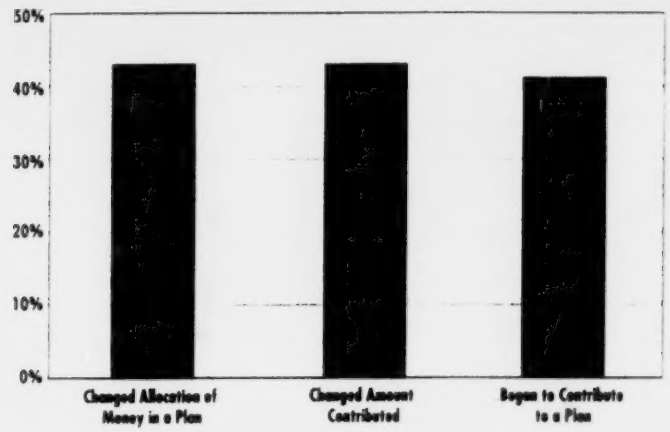
Source: Himle Horner Market Research, 1997

Vision for 2030

1. All workers will have a savings plan or savings account, and will contribute to it regularly throughout their working years.

- It would be ideal if all Minnesotans accumulated a significant "nest egg" on which to draw for their own retirement and health or long-term care. In order to increase savings rates, all employees need access to mechanisms such as payroll deductions or other employer incentives that would make saving easier. Younger workers and those with low incomes may be able to save a small amount each week or month. The data indicates that even small amounts saved on a regular basis can result in a significant nest egg over a long period of time. The 1998 National Retirement Confidence Survey found that most people, including those with small incomes, said they *could* save an additional $20 per week.
- If money is automatically deducted from a paycheck, people are much more likely to save, because they never see or handle the money.

Figure 10
Actions Taken by Workers
Who Were Provided Information by Employer

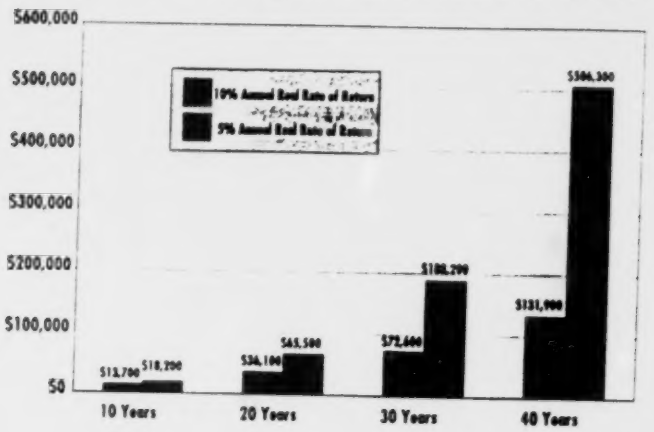


Source: Employee Benefit Research Institute, 1998

2. Workers of all ages will have the opportunity to receive employer-based retirement education through their employer.

- The baby boomers are now primarily in the workplace, with the highest participation rates for both men and women of any generation before them. Thus, it seems appropriate to use the workplace for educating them about retirement preparation. The message is important to get to workers when they are young so that they can have the time for savings to grow, plans to be made and goals realized. Therefore, a lifecycle approach to "retirement" education would be most effective.
- The 1998 Retirement Confidence Survey found that 81 percent of employees who received retirement education through their employers have money earmarked for retirement compared to 67 percent of those who have not received the information. Among those who received education, 43 percent changed the allocation of money in their plan and changed the amount they contributed. About 41 percent of those who received retirement education began to contribute to a plan.

Figure 11
Impact of Saving Another $20 Per Week



Source: Employee Benefit Research Institute, 1998

3. All employers will offer their employees some type of retirement plan or payroll savings option.

- Not all employers, especially small employers, provide retirement savings plans or payroll savings options. A recent survey by the Employee Benefit Retirement Institute found that small employers do not offer such plans because: 1) their employees prefer wages and other benefits; 2) they fear high administrative costs; and 3) their uncertain revenue makes it difficult to commit to a plan. However, most have never heard of savings incentive match plans for employees (47 percent) or simplified employee pensions (55 percent). About 35 percent do not know that a plan can be set up for less than $2,000. Most employers that provide a retirement plan (53 percent) do not provide retirement savings education either directly or through a plan service provider. Given the data cited previously on the effectiveness of retirement education, it makes sense to provide better information to employers so that more will establish some retirement or payroll savings options for their employees, and will begin providing retirement education.

Policy Directions

Minnesotans who participated in 2030 discussions agree that it is in everyone's interest for as many individuals as possible to assume personal responsibility to plan for their retirement and old age. Young people should begin now to develop and practice the habit of saving. Boomers need to begin as soon as possible since they have less time for savings to grow.

A sampling of their specific suggestions for how to promote personal responsibility is included below.

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Increase personal responsibility to plan for retirement and old age.

Suggestions

- Implement employer-based retirement education throughout Minnesota, so that all employers--especially small and medium-sized employers – have affordable programs available to their employees at the workplace or within the community.
- Promote greater use by employers (especially small- and medium-sized employers) of existing retirement education programs through affordable and community-based sources such as county extension offices, Area Agencies on Aging, and other nonprofit organizations.
- Incorporate retirement/lifecycle education into the community education curriculum in all communities throughout Minnesota so that it becomes an ongoing part of their offering.
- Incorporate the following common messages into retirement education programs:
  - Provide more awareness about both personal and societal aging, and what implications this has for your family and community.
  - Take charge of finances; don't just assume that it's too complicated to think about or that Social Security, your employer, or someone else will take care of it for you.
  - If you need help, there are professionals and advocates you can ask for information.
- Start with youngsters--make sure they understand the concept of *investing* as well as *spending* money.
- Provide information and education to small employers on the importance of setting up some form of retirement or savings plan, and providing retirement education to their employees.
- Identify more specifically the incentives as well as the barriers for small- and medium-sized employers to offer retirement plans, savings options or education programs to their employees.

2030 Milestones

The following milestones will be monitored over time to measure our progress toward the vision for 2030 stated above.

Boomer Financial Preparation

Percentage of Minnesotans who say they are planning and saving for retirement

	199x	199x
Percentage of Minnesotans	na	na

Amount and Sources of Income: 65+ Households

	Number of Households	% of 65+ Households	% of Total Income
Sources of Income			
Earned Income	99,619	26	10.5
Asset Income	348,571	90	32.1
Retirement Income	214,512	56	25.7
Pension	198,269	51	22.3
IRA distribution	66,805	17	3.4
Social Security	371,513	96	32.1

Source: MN Department of Revenue Tax Incidence Database and the Income Tax Sample (1994)

Amount and Sources of Income: under 65 households

	Number of Households	% of Households	% of Total Income
Sources of Income			
Earned Income	1,550,373	88	82.8
Asset Income	1,120,393	64	10.3
Retirement Income	208,374	12	3.8
Pension	177,727	10	3.1
IRA distribution	41,335	2	0.7
Social Security	203,697	12	2.3

Source: MN Department of Revenue Tax Incidence Database and the Income Tax Sample (1994)

Retirement Savings of Non-Senior Households

	Number of Households	% of Households	% of Total Income
IRA/Keogh Contributions	114,136	6	0.5
Deferred Compensation	535,524	30	2.6
Pension Coverage (at work)	859,086	49	na

Source: MN Department of Revenue Tax Incidence Database and the Income Tax Sample (1994)

HEALTH AND LONG TERM CARE

One of the greatest challenges of 2030 and beyond will be the increased need for health and long term care by our aging population. Barring major medical breakthroughs for prevention or treatment of such chronic conditions as Alzheimers and arthritis, we can expect major increases in the numbers of older persons with medical problems requiring health and medical treatment, and functional impairments requiring long term care.

Why is Health and Long Term Care Important?

Between now and 2030, Minnesota will witness a dramatic increase in the population age 65 and older and with it, an increase in the numbers needing health and long term care.

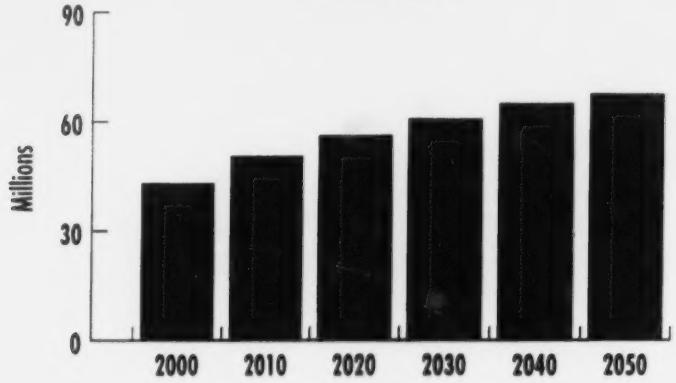
Increasing Need

Those over 85 are the elderly most likely to need health care and long term support. Older individuals experience twice as many chronic health problems as the rest of the population. Their conditions are also more likely to result in disabilities that interfere with daily activities. Even if disability rates among the elderly continue to decrease in the future, the sheer number of individuals within this age group will increase the prevalence of chronic conditions by almost 200 percent by 2030. This translates into an increasing need and demand for health and medical services and for long term care, including custodial care, support services and housing options.

Medicare is the largest program in the country, and pays for acute and primary (and recently, home health and nursing home) health care for persons over 65 and some younger disabled. The program is already experiencing major budgetary problems, with expectations that the Hospital Trust Fund will be insolvent by 2005. Federal policymakers are trying to find solutions to these budget problems.

Experts predict that the need to control these costs will shift more of the costs to individual beneficiaries and to states through the Medicaid program. Thus, in the future, older persons with limited incomes could be faced with higher out-of-pocket health expenses and may need to turn to state-administered safety net programs for assistance with health care costs.

Figure 12
Number of Persons Experiencing Limitations in Activities
2000-2050



Source: Robert Wood Johnson Foundation, 1998 (nationwide data)

While most experts expect that the baby boomers will be healthier at older ages than any previous cohort, there are troubling signs that health status will remain an issue for many. There is evidence that disability rates are declining among the current elderly, but that disability rates among middle-aged persons and young adults are on the rise. The chief conditions increasing in prevalence include asthma, smoking, and work-related conditions such as back pain and carpal tunnel syndrome among those under 64 years of age.

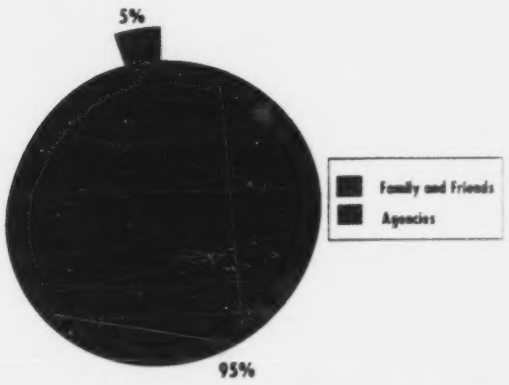
Limited Resources

At the same time that the need for long term care will increase, our resources to meet them will be at a low ebb. Probably the most significant factor is the change in family structure. The vast majority (over 95%) of long term care and support is provided by family members—mainly spouses and adult children.

Due to changes in families, these informal sources of unpaid care could be drastically reduced by 2030. The number of Minnesota's older people living alone (without a spouse in the household) will double by 2030. In addition, women now are having about one-half the number of children than in the past (1.8 compared to 3.2 about 30 years ago). Coupled with this lower fertility rate is the increased mobility of the boomer's children.

Thus, experts believe the need for long term care could double by 2030, at the very time that traditional informal resources are perhaps only half as available as they are today. In addition, providers of formal long term care services may not have enough workers to provide services, part of our state's larger problem of ongoing labor shortages.

Figure 13
Sources of Long-Term Support for Older Minnesotans
1995



Source: Minnesota Board on Aging, 1995

Tied to these concerns is the ability of baby boomers to afford long term care costs if informal sources are not available. Formal, paid long term care includes home health care, nursing home care, as well as a range of community-based and home-based social and supportive services provided in a variety of home settings. Because of the ongoing, intensive nature of many of these services, formal long term care can be very expensive.

System Redesign

As some experts describe it, our long term care system has been dominated by two types of care. First, people receive care at home from family members as long as they can. Then, either because their needs increase or because the family can no longer provide care, people enter nursing homes where long term care (which is a mixture of housing, health, and custodial care) is provided in an institutional living arrangement. This dichotomy is an oversimplification— increasing numbers of older persons receive formal services in the community either as a substitute for family care or as a supplement to what the family is doing—but it is still the reality for many older persons. By the time the family can no longer provide care, the older person is so dependent and frail that some type of supervised housing arrangement is often the only option.

Our current payment system for long term care is also characterized by an "all or nothing" situation for many people who need long term support. A family pays out-of-pocket until their resources are exhausted, and then the person qualifies for welfare-based Medicaid (called Medical Assistance in Minnesota). Medicaid pays about 66 percent of the nursing home bill in Minnesota, about 7 percent is paid by other government programs, especially Medicare, as more people use nursing homes for sub-acute rehabilitation after a hospital stay. The elderly pay about 27 percent of the cost of nursing home care as out-of-pocket expenses. In 2030 and beyond, if more older people are forced onto Medicaid to obtain coverage for long term care costs, this could strain the state's ability to provide support to all who need assistance.

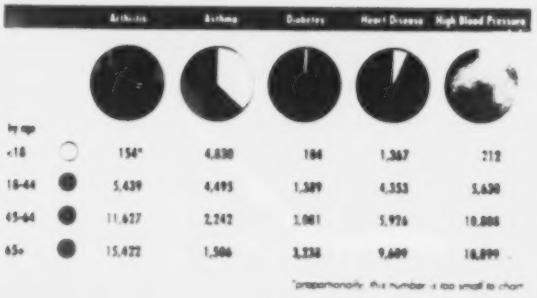
For a variety of reasons, the long term care system in Minnesota is rapidly changing, responding to consumer demands and pressures from the acute care system. These trends will likely accelerate into 2030, making it difficult to predict the final shape of our system at that time. Most experts agree that our system in 2030 will probably include even more emphasis on in-home health and supportive services, new types of supportive housing with services available and a redefined "nursing home" that focuses on short-term rehabilitation and recuperation after hospital stays. Ongoing changes in payment sources--the mix of Medicare, Medicaid, private insurance and out-of-pocket expenditures--will also affect the future design of the system.

Existing and Future Trends

Lifestyle Characteristics

Minnesota's population is generally quite healthy when compared to other states. However, when one looks more closely at the status of subgroups, differences emerge. For example, obesity is a growing problem among children and young adults. Additionally, the state is witnessing an increasing number of young females smoking cigarettes and an increasing prevalence of asthma among younger individuals. Among working age adults, the prevalence of work-related chronic conditions continues to increase. These conditions primarily involve problems of the spine and back.

Figure 14
Number of Selected Reported Chronic Conditions by Age Group, 1993
(Noninstitutionalized Population, Numbers in Thousands)



*proportionally, this number is too small to chart

Source: Robert Wood Johnson Foundation, 1998 (nationwide data)

The data describing the prevalent chronic conditions among populations of color in Minnesota is incomplete. However, these populations are overrepresented in the numbers of individuals with disabling conditions. Influencing this is the unequal access to the health and long term care systems that populations of color experience in Minnesota. The health status of these groups--especially the children and youth--will be an important factor in future long term care services for the elderly as our aging population grows more ethnically and racially diverse in the coming decades.

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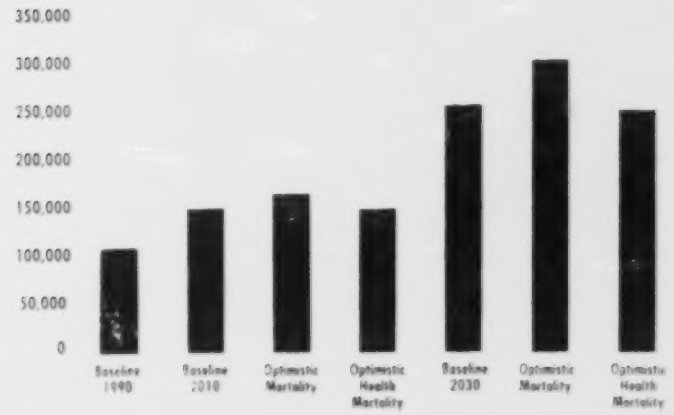
Figure 15
Potential Need for Long Term Care Services Among Minnesotans Over Age 65: 1990-2030



Aging Implications

- As the population ages, the prevalence of chronic conditions that limit individual functioning will increase. Along with this increase, the types of conditions causing disability will change. For example, diabetes is expected to become increasingly prevalent among all age groups. Increased disability related to our sedentary lifestyles is also expected. In addition, conditions such as Alzheimers disease, osteoporosis and arthritis are responsible for a large amount of the disability among older persons, and unless cures are found for them they will continue to cause disability in the future.
- Using a projection model developed by the Urban Institute to estimate long term care needs and applying Minnesota-specific data, Minnesota can expect to have from 265,000 to 300,000 older persons who are in need of long term care and support in 2030. This represents a doubling of Minnesota's population needing long term care between 1990 and 2030.

Medical Technology

Innovations in technology have changed the landscape in the medical services area and this trend is expected to intensify in the future. Innovations in computerized information services, imaging, ultrasounds, laser surgeries, and new drug therapies for many conditions have made diagnosis and treatment of disease much more targeted and effective. Some of these innovations have also increased the reach of these medical services to individuals in remote areas of the state, and have decreased the need for specialized health care personnel, already in short supply in many of these areas. Technology can never fully replace the need for "touch" in the treatment of health conditions, but it can greatly expand access in underserved and remote areas.

Technology has also expanded the choice of treatments available. There is an increasing proliferation of high-tech drug therapies, medical devices and surgeries to treat conditions. In the future as this trend intensifies, the state may be faced with tough ethical decisions. If the state's resources to meet the health care needs of an older population become more constrained, it may be more and more difficult to choose which of the possible new health care techniques and treatments to cover with public monies.

Aging Implications

- Innovations in medical technology can be utilized to keep individuals in increasingly fragile conditions alive for longer periods of time. However, the balance between the costs of these treatments and the quality of an individual's life comes into question. Additionally, future access to such treatment may be skewed in favor of those with higher incomes, an ethical dilemma which may become an increasingly visible one as more and more procedures are possible for more people but dollars are limited.

Labor Shortages

Minnesota is experiencing a severe labor shortage which promises to worsen in the future. These shortages are particularly acute in the health and long term care industries. (See the Workforce section for further discussion of this issue.)

Aging Implications

- One of the causes of the labor shortage is the aging of the population. The babyboomers will begin reaching traditional retirement age in 2011. As a result of the lower birth rate among the boomers, the number of workers available to replace those retiring will fall short of the expected number of openings. And labor participation rates are already at all-time highs.
- A gap already exists between the number and types of health care personnel available and the number required to meet demand across the state. The Minnesota Department of Economic Security predicts that between 1994 and 2005, health services employment (which includes physicians, nurses, nursing assistants and home health aides) will grow 61 percent, adding over 40,000 jobs. These levels will continue to increase after 2005, due to the aging of the population, increasing life spans, new technologies and treatments, and retirement of older workers (the baby boomers).
- Another critical issue is the training of health care personnel (and other workers in professions where care for the elderly is a primary role) in basic geriatrics and gerontology. Several studies have documented the need for such special training in order to provide the necessary understanding and knowledge to personnel who provide care primarily to older people.

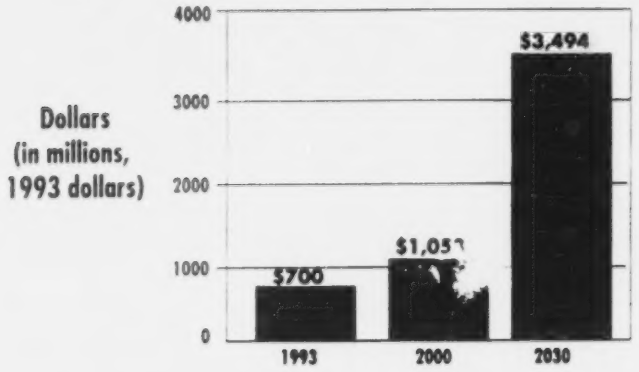
Cost Control

Generally, health care costs have been increasing for all populations. Ongoing changes in the health care system in Minnesota have been characterized by the growing use of the managed care model. This model emphasizes primary care, limiting access to more specialized care and higher cost procedures and instituting administrative efficiencies wherever possible. This model and related market factors have given Minnesota some of the lowest health care costs in the country. Although some studies have found consumer dissatisfaction with managed care, when surveyed, consumers (including older people) are generally satisfied with the care they and their family members are receiving through managed care health plans.

Aging Implications

- The aging of the baby boom generation will increase the costs of all health care programs. Federal attempts to solve the budget problems faced by Medicare will likely shift more of the costs to individual beneficiaries and to states through the Medicaid program.
- Given an expected doubling of the population in need of health and long-term care services, the estimated Medicaid cost for such care could increase from $700 million in 1993 to $3.5 billion in 2030, representing a 400 percent increase in costs during the time period when the population in need is expected to double.

Figure 16
Projected Medicaid Expenditures for Long Term Care in Minnesota: 1993-2030



Source of formula: Weiner, et al., 1994

- How managed care will evolve in the future is uncertain. There are demonstrations going on now in the state to test how managed care models can be used to combine Medicare and Medicaid funding, more effectively coordinate health and long term care services for low-income older persons, integrate benefits to provide better service to older persons, and use health and long term care dollars more wisely. The results of these demonstrations will help determine how managed care can improve care while controlling the growth of expenditures.

Risk and Choice

The public seems preoccupied with the risks associated with delivering health and long term care. This leads regulatory bodies to respond to the public's concerns with more regulations aimed at protecting consumers from possible risks to their safety. These regulations may restrict the choices available to individuals and increase the costs to providers to deliver services.

Aging Implications

- The public's preoccupation with minimizing the risks associated with health and long term care services can result in regulations that make service delivery expensive and limit individual choice. This mindset may be severely tested and challenged in the future in light of the baby boomers' preferences for choices in all parts of their lives, including health and long term care. More of these individuals are likely to want to continue living in their own homes, taking some risks in order to maintain a level of control over their life. However, the loosening of regulations will need to be balanced with the need to protect vulnerable individuals within service systems.

Vision for 2030

1. Long term care in 2030 will have shifted toward "functional wellness" and improved quality of life for people who need assistance—in essence, into a long term "support" system.

- People today equate long term care with nursing homes and frail elderly unable to care for themselves. In the future, long term care will be broadened to deal with the many stages of support for older adults, while re-regulated nursing homes will fill "care niches" including some short-term rehabilitative care and end-of-life stays.
- Long term care in 2030 will stress "functional wellness" or the promotion and management of physical and mental health among older persons, striving to provide older persons with a high quality of life. The shift toward functional wellness will change the underlying philosophy of long term *care* into one of long term *support*. Recognizing that older people need more than medical care, new mechanisms will have been designed by 2030 to provide older people with necessary support services that help them to live happy, self-fulfilling, independent lives.

2. By 2030, people will be empowered to take responsibility for their own self care, having greater choice and access to a menu of flexible, individually-controlled services rather than the fixed "place-based" service system common today.

- As people live healthier longer, so too will they be expected and enabled to care for themselves. Older people will have access to a greater range of social and medical services that will support them (and their informal care providers) in their efforts to live independently.

- The combination of new technology and expanded care options, financing structures and delivery mechanisms will create a broader, more flexible support system with greater choice in the types of services available and the place where these services are delivered. Such flexibility will enable long term support in 2030 to be truly "customer-driven," allowing older people to select and control the services they need, want and can afford.
- For this to happen, long term support will integrate different care models and expand it to a community-based "functional wellness" continuum that also incorporates social support services. Today, the health care continuum is dissected into multiple pieces which operate largely independent of each other despite their obvious relationship to one another. As such, fundamental care practices have little integration among them. In 2030, these currently disparate but fundamentally similar care models (along with their many different providers) will be joined and restructured into a "wellness continuum" that offers social support services to assist older people in their everyday lives—all of which will be delivered at the community level.

3. In 2030, people will have a variety of options for obtaining and paying for the long term care and support they need.

- Mechanisms could include private long term care insurance available through employers or others able to offer a large "risk" pool to keep premiums affordable; new offerings of insurance products that include long term care coverage; greater use of home equity with reverse mortgages to cover long term care costs; new types of housing and service arrangements that offer support in congregate settings for the many persons living alone with no family resources who need support; and greater support of family caregivers as they continue to provide the lion's share of the long term support needed.

4. Long term support in 2030 will have evolved to meet the many different needs of a diverse population.

- Increased diversity in the state in the coming decades brings with it the need to rethink existing care and support systems and make them more accessible and user-friendly for people with different needs and expectations. By 2030, the long term support system will be sensitive and better tuned to cultural differences in care and support needs of different populations. Providers will compete for customers based upon their ability to appropriately customize these services.

Policy Directions

Those involved in 2030 discussions about the future health and long term care needs in Minnesota saw many ways in which individuals can and should take greater responsibility for their own health and for their long term care costs. They felt that more mechanisms to reduce future public burden of caring for the baby boom generation were needed. Long term care insurance was brought up many times, with

comments made about how this insurance could be made affordable and marketable. Examples of their suggestions and recommendations for how to promote greater personal responsibility for health and long term care are listed below.

1. Increase personal responsibility for long term care planning and costs.

Suggestions

- Encourage individuals to think about how they will meet their needs for long term care.
- Rethink and then expand the ways we support families as they care for older relatives.
- Increase the number of Minnesotans who have private long term care insurance. Making it affordable may require large-group risk pooling to achieve lower per-capita group rates. The State of Minnesota should consider offering an employee-paid long term care insurance product beginning in 2000, as recommended through the feasibility study completed by the Department of Employee Relations in 1998.
- Continue federal and state tax incentives, e.g., deductions and credits, to encourage the purchase of qualifying long-term care insurance policies.

2. Support health promotion and maintenance to prevent or reduce disability rates and functional problems associated with chronic conditions.

Suggestions

- Maintain the current level of health care insurance coverage within the state, while working to extend coverage to those still uninsured.
- Coordinate efforts to obtain better data on the disability rates associated with chronic conditions by race, ethnicity and age group.
- Expand knowledge of and access to information on how to stay healthy. This information needs to be user-friendly, reliable, up-to-date, and accurate. The most effective vehicle for disseminating this information is the internet.
- Provide incentives for individuals to engage in healthy behavior, e.g., discounts from health plans for memberships in health and fitness clubs/activities. We need to replicate the success of the smoking cessation campaign to promote healthy lifestyles.
- Emphasize prevention more aggressively within the current health care system, especially through managed care plans. Encourage providers to anticipate problems and teach prevention to their patients rather than intervening only after a condition has occurred.
- Increase educational attainment and address economic concerns in low-income minority communities so that families have better access to health care including preventive health care. Specific new approaches are needed for addressing the health problems in each of the populations of color, since health conditions vary widely in these communities.

- Explore and disseminate new ideas on how to meet health care needs in rural areas where personnel shortages exist, e.g., greater use of telemedicine, use of physician assistants, combined jobs within home health and nursing homes.
- Determine the feasibility of requiring all health professionals and others who work primarily with older persons to pass a competency test in geriatrics to qualify for a license in Minnesota.

2030 Milestones

The following milestones will be monitored over time to measure our progress toward the vision for 2030 stated above.

Percentage of Minnesotans with private or public health care insurance

(Minnesota Milestone)

1987	1990	1991	1992	1993	1994	1995	1996
93.4	91.1	90.7	91.9	89.9	90.5	92.0	89.8

Source: Minnesota Department of Health

Behavioral risk factors

Behavioral risk factors	Percent*
Estimated Percent of Seat Belt Nonuse	20.5
Estimated Percent of Hypertension	16.9
Estimated Percent of Overweight	27.3
Estimated Percent of Current Smokers	20.9
Estimated Percent of Acute Drinkers	20.2
Estimated Percent of Chronic Drinkers	5.0
Estimated Percent of Drinking and Driving	5.4

* For state-level data, percent represents the proportion of adults 18 years of age and older who actually reported engaging in given activities.

Source: MN Department of Health profiles (1995 statewide data)

Functional disability rates by age group

Age Group	Males	% of Age Group	Females	% of Age Group
16 to 64 year olds				
Mobility limitation only	9,133	0.7	12,042	0.9
Self-care limitation only	19,241	1.5	18,462	1.4
Mobility & self-care limitation	8,837	0.7	8,713	0.7
No mobility or self-care limitation	1,274,298	97.2	1,280,873	97.0
65 to 74 year olds				
Mobility limitation only	3,818	2.9	6,874	4.3
Self-care limitation only	4,405	3.4	5,443	3.4
Mobility & self-care limitation	3,579	2.7	4,564	2.9
No mobility or self-care limitation	118,340	90.7	142,806	89.3
75 years and older				
Mobility limitation only	5,943	6.8	18,775	11.7
Self-care limitation only	4,047	4.6	6,530	4.1
Mobility & self-care limitation	6,323	7.3	12,838	8.0
No mobility or self-care limitation	62,151	71.3	97,217	60.4

Source: 1990 U.S. Census (statewide data)

CHANGING COMMUNITIES

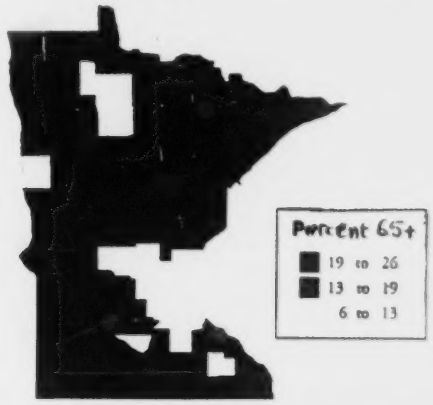
We are in the midst of a major redefinition of "community" that will probably still be occurring in 2030. Many aspects of community are critically important to the older population, and the aging of our society will both affect our communities and be affected by changing communities.

Why is Community Important?

After our family, our sense of community and our social connections play the most significant roles in our lives. "Community" is the sum of both the physical and the intangible. It includes the physical infrastructure that surrounds us—housing, schools, highways and roads, parks. It also represents the presence of a social infrastructure—neighbors, friends, churches, clubs and civic groups--where we are involved with others who have similar interests to learn, help, serve, and promote community activities and causes. It is also the location of many services that older people (and others) depend upon--stores, medical offices, transportation, public services.

Because older people tend to age in place, they are more sensitive to the availability and extent of these infrastructures. If they are supportive, more older people are enabled to age in place and take care of their own needs longer. If they are not supportive, they face increasing difficulties as they age, needing more support but not able to find it. Thus, the extent to which our communities are age- sensitive and support people *of all ages* to live independently will determine how supportive our communities are *for older people.*

Figure 17
Current Population 65+ in Minnesota by County
1997



Source: U S Bureau of the Census, Internet Release Date: September 4, 1998

Perhaps the biggest change happening now is how we define community. Community is being redefined to mean "affinity" and "connection" regardless of location. For example, we may drive through several suburbs passing many churches to attend a church we feel meets our spiritual needs and gives us a sense of community. Or we may get on the internet and communicate with people or websites in far-away locations and feel socially connected.

Existing and Future Trends

Demographics and Housing

The most obvious change all communities will experience between now and 2030 is the effect of the demographic shifts. Changes in the age composition of communities—increases in the older population, declines in the young—will be very dramatic in some areas of the state.

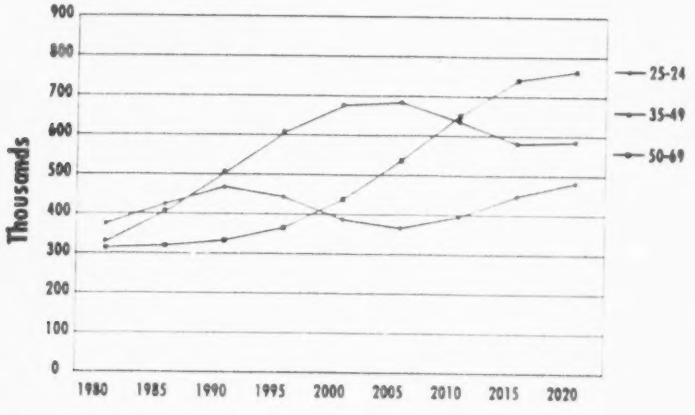
The ethnic and racial makeup of Minnesota will also change between now and 2030, and this will affect the diversity within local communities. Because of our growing diversity, culturally and ethnically, there will continue to be the need and desire for "community" within specific cultural or ethnic communities and between these specific communities and the wider community.

The changing structure of the family will have implications for household composition and communities. We will have a tremendous growth in the number of one-person households. The existence of a large number of persons living alone will increase the need for community connections to substitute for those previously made through family members in the same household. While technological connections can substitute for some of these gaps, there will be the need for someone physically nearby to help out once in a while.

Aging Implications

- By 2030, nearly 50% of all elderly households will be one-person households, doubling the number of persons over 65 who live alone. They will need social connections and someone nearby to help once in a while.
- Because of outmigration by younger people, some areas of the state, especially the northern and western parts of the state, will have very top-heavy age structures with large numbers of old and very old, but very few middle-aged and younger people. Community responsibilities now shared by all adults will increasingly be shouldered by older adults. This is already happening in parts of the state.

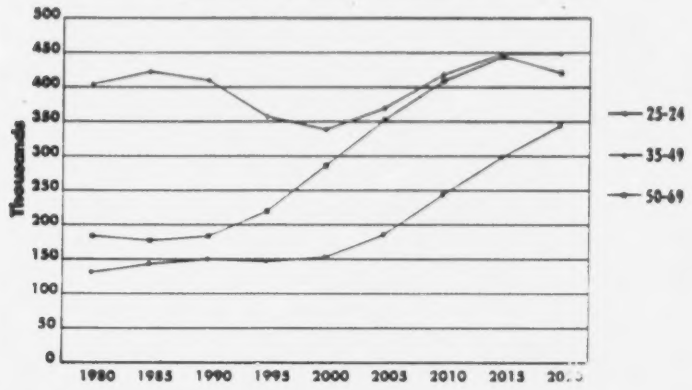
Figure 18
Twin Cities Metropolitan Area:
Age Forecasts and Housing Market Demand, 1980-2020
(Single-family detached housing)



Source: Metropolitan Council, 1998

- These demographics will also dramatically affect the housing market and supply. Elderly often prefer a mix of housing resources—smaller homes all on one floor, affordable apartments, housing with services, etc. Meeting the future needs for housing will require both the creative use of existing housing stock, and where population growth can support it, the development of new "elderly housing" options.
- Local regulations, such as zoning ordinances and building codes, as well as land costs and housing market factors shape the mix of housing available in any given community. These factors may affect the ability of some communities to respond to changing market demands.
- Affordability of housing will intensify as an issue in the future, as more of the younger boomers experience difficulty finding housing options they can afford and as the older boomers face more trouble selling their homes at desired prices. Both the lack of buyers in the baby bust generation and lack of adequate supply of a mix of housing types will cause additional problems for the boomers when they change housing arrangements.

Figure 19
Twin Cities Metropolitan Area:
Age Forecasts and Housing Market Demand, 1980-2020
(Apartments, condos, and townhouses)



Source: Metropolitan Council, 1998

Decreasing Importance of Location

A variety of innovations available because of technology have made it easier for individuals to access the goods and services they need and communicate with others, no matter where they are. The internet, the increase in mail-order and home shopping, and telemedicine are some examples of systems that have greatly expanded choice and options for many people. Just in the past five years, for example, internet availability throughout Minnesota has grown enormously and now reaches all areas of the state.

In addition, the continuing availability of cheap and accessible transportation has made it easier to physically get to other locations quickly and easily, thus decreasing the importance of location. The importance of "place" to individuals as they meet their physical, mental and socio-emotional needs will continue to decrease in the future.

Thus, we now have two highways, a new one created by innovations in technology and the traditional transportation system. As a result, our social connections have been redefined to extend beyond our geographic locations. Individuals rely less and less on neighbors for social connections and on neighborhood businesses for their good and services.

Aging Implications

- Our two highways—transportation and technology—when juxtaposed with the aging of the population—will have both positive and negative implications for older people. On the one hand, both "highways" will make it easier for individuals to conduct business, no matter what the residential location, and will support the choice of individuals to either "age in place" or move. On the other hand, these factors threaten the well-being of individuals who have limited mobility and must depend on social connections in close proximity to meet their basic physical, mental and social needs.

Low-density Development

Because of the ease of mobility we experience today, with the good transportation system we have in Minnesota, low-density development has continued unabated in many parts of the state. Fueling this trend is the availability of technology like the internet which allows a person to stay connected to work, family and many aspects of daily life even though they are physically remote.

Low-density development—sometimes called sprawl—is a development pattern that is characterized by the building of homes and related service amenities in areas where little other development is nearby, thus requiring additional infrastructure to "hook up" housing with essentials such as sewer, water, roads, emergency and public safety services. The continuation of these trends into the future will be based, in part, on the continued low price of gasoline.

Figure 20
Percent Change in 65+ Population in Minnesota by County 1995-2025

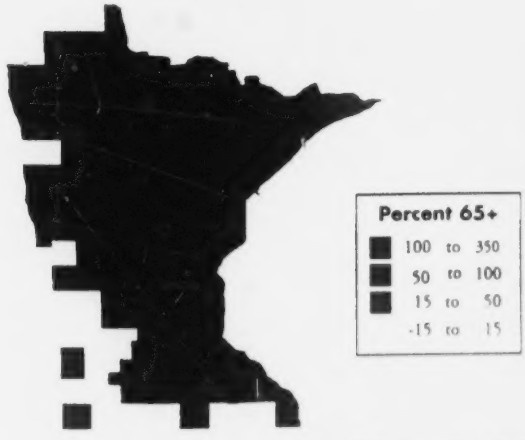
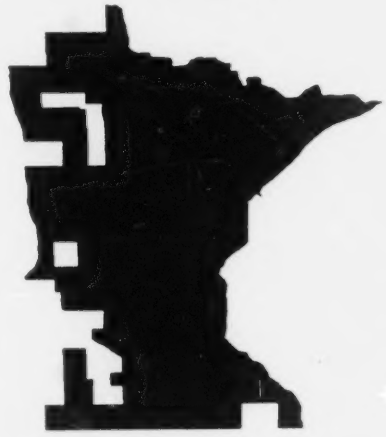


Figure 21
Percent Change in 85+ Population in Minnesota by County 1995-2025



Source: 1998 Projections of State Demographer's Office

In regions of the state where low-density development is most prevalent, local tax bases will be strained by this trend. In-migrants may prefer or demand higher levels of human services and higher quality physical infrastructures than the long-time residents.

Low-density development has similar implications for the environment, especially in the northern lakes area where in-migrants, seeking privacy and natural amenities, are building new homes and upgrading three-season cabins in remote and environmentally sensitive areas. The cost of environmental services to dispose of waste, replenish ground water and accept increased runoff are not fully allocated to the users.

Aging Implications

- Increasing numbers of baby boomers are expected to move to and retire in Minnesota's rural lake and recreation areas, particularly in the north and central parts of the state. This will likely exacerbate the continuing trend toward low-density development.
- The rate at which these individuals choose to "age in place" in their new home communities could have serious implications for their local communities as they age and need greater support. Particularly because they are less likely to have family (other than spouse) nearby, these support needs will have to be met through other informal networks—friends, neighbors—or formal sources. Need for these supports often translates into programs funded through county-administered monies.

Changing Economy

Changes in the economy, specifically the increasing scale of production, have increased the geographic size of many market areas, from local to national or even global. As a result, many smaller communities in rural Minnesota have lost population to larger, regional growth centers and to major metropolitan areas. It means that communities have become either winners or losers within the new rules of the game. Especially in the rural areas of the state, economies are dependent upon behaviors and systems that local communities have little if any control over, except through economic development strategies.

These economic changes also have implications for economic transactions at the individual level. A growing number of our individual-level transactions do not take place face-to-face with another person. This trend will continue into the future with increased use of the internet and other electronic methods to purchase needed goods and services.

Aging Implications

- Older people will, to a greater degree than the rest of the population, continue to be most affected by the proximity and quality of community-based services such as hospitals, fire and police stations, emergency response teams, retail services, etc.

- People of all ages are migrating to regional growth centers or to regions of the state that are "amenity-rich." The affluent elderly can and do leave their communities (temporarily or permanently) taking their wealth with them. Their residential destination (whether in Minnesota, another state or country) benefits from their income and related tax revenues.
- The less affluent retirees remain in their communities either because of long-established social and family connections or because they do not have any other options. In the future, we may see more communities where the economy is dependent upon transfer payments such as Social Security and Medicare.
- One example of economic change affecting rural areas is the impact of managed care and changes in health care. Through vertical integration of health services, health and medical services are being centralized in regional growth centers, requiring longer trips to the doctor and reducing access for many of the rural elderly. Participants in local 2030 forums said that, because of this centralization, the most visible part of the health system in some towns may be the nursing home (which may also be one of the major employers in town).

Vision for 2030

1. More Minnesota communities in 2030 will be truly livable for all age groups. They will be intergenerational and lifecycle in nature, offering diverse choices that provide for the future needs of all residents including older people.

- More than at any other level, local communities will hold the key to improving the lives of older people and creating livable environments for all people. Communities that are truly age-sensitive and age-inclusive will stress access and choice for basic things needed by all people in every community—housing, health care, lifelong learning opportunities, recreation, jobs and daily goods and services. In particular, communities in 2030 will promote a wide range of housing types and options that offer older persons real choice for dependent or independent living.

2. Communities in 2030 will support the ability of older people to live independently longer.

- Formal and informal support networks in communities will provide diverse, in-home services that allow older people to retain their independence longer. By 2030, technology advancements and innovative design features will help mitigate in-home limitations common today. New delivery mechanisms—including the internet and service "bundling" from different providers—will increasingly bring goods and services to people's homes.
- Communities in 2030 will also offer their residents convenient access to services and amenities outside of their home. Transportation options will be expanded to make it easy and convenient for older people to access goods, services and social needs on their own. Communities in 2030 will place goods and services in closer proximity to older persons, eliminating or reducing the need for travel to receive these.

3. Communities in 2030 will offer a wide array of volunteer and social interaction opportunities for all community residents including older people, which will help build the personal and social relationships necessary to create support networks for people of all needs and abilities.

- Despite technological advances that improve people's care and access to goods and services, people-to-people relationships will still be critical, and communities will harbor the responsibility for nurturing personal relationships that make life fulfilling.
- For example, to enhance the physical and mental health of older people, community-based organizations—local government, nonprofits, businesses, schools and volunteer clubs—will provide meaningful opportunities for political, social and recreational involvement for all residents.
- In particular, communities will look to older people as the key link in organizing and operating activities for many age groups, including their own. This will help keep older people active and productive, and help build informal relationships necessary for a community to meet the many needs of its residents.

Policy Directions

Minnesotans are experiencing many changes in their communities and are concerned that they not lose the strengths and support that their communities offer. However, they also recognize that changes are inevitable and many communities are dealing with these major changes in a proactive way. Examples of suggestions for how to create more "age-sensitive" communities are listed below under each of the three policy directions.

1. Create "age-sensitive" social infrastructures that support and help people as they age.

Suggestions

- Support and champion efforts that create and sustain a sense of "community" in Minnesota. Use opportunities that present themselves within our families, neighborhoods, groups we belong to and activities tied to the workplace to create connections between people and a sense of responsibility for one another.
- Support and create incentives for greater volunteer involvement among all age groups. Children in grades K-12 should be encouraged or even required to work on service projects and have volunteer experiences.

Some examples of new contributory roles and expectations for older people

- Volunteers - child care for grandchildren: hospitals, driver, church, companion, respite care, community organizing, fundraising, tax assistance, mentors, storyteller, advocate, school aide, volunteer for nonprofit agency, art/gardening instructors, pastor's assistant, preserve and demonstrate historical crafts, cooking, farming know-how.
- Part-time employment - store greeter, temporary jobs, long term care assistant, fill-in-the-gap "Senior Friday," clerical, customer service, support services, consultant to former employer.
- Civic - elected official, board member, advisor, commissioner, neighborhood leader, block organizer, community organizing, political organizing.
- Senior jobs - Green Thumb, RSVP, Foster Grandparent.

Source: 2030 Community Forum, 1998

- Begin now to expand roles and expectations of healthy, able-bodied older community residents. These expanded roles will need to include traditional volunteer roles as well as new, contributory roles in civic and community life. Preferences for volunteer experiences are changing, especially among the baby boomers, so traditional approaches must be reinvented to attract them as volunteers.
- Explore ways to increase volunteer recruitment and training and to attract skillful volunteer managers. Successful volunteer management requires a great deal of skill in marketing, strategic planning and creativity to develop new structures and approaches needed.
- Challenge all faith communities in Minnesota to use their human capital to meet the changing needs of the wider community. Many are already involved in a wide variety of service projects and programs serving current elderly, baby boomers and others in need of support, and they can play a major role in developing and sustaining the social connections and support systems that families and older people will need in the future.

2. Strengthen, maintain and/or redesign the service delivery systems in our communities.

Suggestions

- Continue and expand collaborative planning among service providers to increase the efficiency of services at the community level and make the service system operate like a true "system."
- Explore ways to "compress" the overwhelming scope and complexity of service options and organizations that older people and their families must wade through when seeking care and/or support services. Use the telephone, internet and new technology to compress and present service information effectively.
- Support changes in city and township services such as police and fire services that meet changing characteristics and requirements of aging city residents.
- Continue and expand "Gatekeeper" programs in local communities, where meter readers, letter carriers and others check on older persons living alone as a part of their daily work activities.
- Integrate age-segregated programs wherever possible, and institute intergenerational ways of serving and providing services. Senior centers should become community centers, transportation systems should serve more than one age group whenever possible.
- Continue to redesign the current long term care system in Minnesota and determine options for best use of our existing infrastructure (senior housing, nursing homes, community-based service providers) in light of the expected doubling of the elderly in need of long term care and support. Determine how the state can best support the options developed.

3. Build or adapt physical infrastructures to achieve wise land use, lifecycle housing, better transportation and supportive design of public spaces.

Suggestions

- Support creation and development of lifecycle communities throughout the state. Elements of lifecycle communities include:
  - a range of housing options for households of different ages and sizes and people with different levels of ability and income.
  - transportation systems for those who drive and those who do not drive.
  - opportunities for social connections with people of all ages.
- Support communities (municipalities) in their work to create lifecycle communities through their housing plans; design of public spaces that encourage interaction among residents of all ages; location of retail and services; plans for both pedestrian and vehicular transportation, etc.
- Continue implementing Minnesota's Community-Based Planning Act that provides incentives for local community planning, and develop materials to help local communities weigh the opportunities and costs of various development patterns in order to plan for more sustainable communities in the future.
- Make best use of the state's existing housing stock as our population ages, e.g., retrofit single family homes to make them accessible, allow accessory apartments in existing homes, use homes for foster care and other group living arrangements. Target the limited funding available for new senior housing to those areas and those groups most in need.
- Promote the concept of universal design for accessibility and include it in the state building code.
- Support the Minnesota Department of Transportation's planning for transit needs in 2030, working with local communities throughout Minnesota. The department should continue working on improved driver training and testing systems that provide simulator devices to measure capabilities of drivers and train them on how to compensate for any changes.
- Advocate for necessary changes at the federal level to address regulatory, liability and payment laws surrounding telecommuncations technology. Currently, the responsibility for this is fractionalized and as a result does not afford the same protections for users of this medium as are available in other communications media.

2030 Milestones

The following milestones will be monitored over time to measure our progress toward the vision for 2030 stated above.

Social Infrastructure

Percentage of people living alone by age group

Persons under 65 Years of Age	# Individuals	Percentage
Living alone	242,492	6.33
Living in family/nonfamily households	3,586,045	93.75
Persons 65 Years of Age & Older		
Living alone	169,422	23.95
Living in family/nonfamily households*	334,231	47.25

* *This number does not include those individuals who are institutionalized.*

Source: 1990 U.S. Census

Percentage of people volunteering by age group

(Minnesota Milestone)

"In the past six months have you volunteered your time to help at a school, for a nonprofit or government program, at your church or temple, in your neighborhood, or for a community group?"

	1993	1997
Percentage of adults who volunteer for community activities	62%	63%

Source: MN Center for Survey Research, U of M

Service Infrastructure

Public transit availability

Source of Funding	Average ridership per mile (1997)
MN Department of Transportation	1.51
	per one-way trip (1997)
Title III Older Americans Act	.31

Internet Coverage

Data not available

Physical Infrastructure

How land is used (thousands of acres)

(Minnesota Milestone)

	1982	1987	1992
Wetland	10,585	na	10,558
Forest	13,950	13,783	13,815
Cropland	23,024	22,398	21,356
Grassland	3,786	4,270	5,093
Urban	1,006	1,131	1,235

Source: U.S. Department of Agriculture (statewide data)

Vehicle miles traveled per person

(Minnesota Milestone)

1980	1990	1991	1992	1993	1994	1995	1996
6,992	8,867	8,876	9,212	9,328	9,480	9,573	9,530

Source: MN Department of Transportation

Housing mix by county

Data not available

WORKFORCE AND ECONOMIC VITALITY

Over the next several decades, Minnesota's labor force will reflect the aging of the state's population. The labor force is projected to grow more slowly and become older, more racially diverse and more concentrated in metropolitan areas. The median age of the state's workforce is expected to climb from 36 today to 46 by 2030. With the growth of older workers in the workforce and a shrinking pool of younger workers entering the workforce, the state faces a number of challenges.

Why Are Workforce and Economic Vitality Important?

An adequate supply of qualified labor is essential for economic growth. The aging of the labor force and reduction in the pool of younger workers entering the workforce raises questions about whether an adequate labor supply will be available in the future. Labor shortages now constitute the state's most pressing problem according to surveys of business leaders.

The economic and job opportunities of the 1990s have resulted in a net in-migration of people to the state, a reversal of an historical trend for most of the 20th century. This has offset the gradual slowing of natural population growth and added to the labor pool within the state. Since labor force supply is an important source of economic growth, future economic growth could be affected by the lack of an adequate and skilled work force. As more of Minnesota's labor force reaches retirement age, these issues could become even more pressing. Thus, how to make better use of our aging population, either through continued work or through nonpaid contributions, will be increasingly an economic question rather than a social one.

Economic growth and increasing the standard of living for all Minnesotans are important goals for the state. A strong growing economy with increased per capita income will make it easier for Minnesota governmental agencies to provide important public services and absorb the costs associated with an older population. Such economic conditions will also make it possible for more individuals to prepare and pay for their own needs in retirement, thus relieving the public sector of some of those costs.

Existing and Future Trends

Global Economy

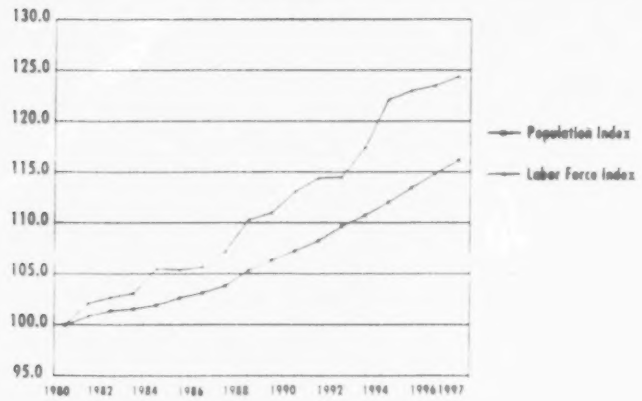
The global economy is increasingly superceding the national, state and local economies. As a result, the local economy has less importance and control. The physical location of a business has been "unbundled" from its customers and the sources of its raw materials and employees, and can literally be anywhere.

The effects of the global economy are being felt differently in the urban and rural areas of Minnesota. "Service" sector exports, such as banking, principally benefit the urban areas of the state. Agricultural commodity exports primarily benefit the rural communities. However, rural communities may have a less diverse economic base and, as a result, may have less ability to accommodate to these macroeconomic changes.

Aging Implications

- As the scale of the economy continues to shift towards global operations the more localized employers in Minnesota's rural communities will be increasingly challenged. Such employers include local retail, banks, hospitals, etc. Older individuals who "age-in-place" in these communities will have a difficult time adapting to these changes. Fewer of these services will be located in small towns or neighborhoods. Increasingly, these sources of support will relocate to the larger economic centers of the region or suburban locations where they are better able to compete in the new economy.
- On the other hand, older people in both urban and rural areas who want to continue working will have a variety of choices because of the labor shortages. They will also have opportunities for nonpaid contributory roles as well, since everyone in the community will take on more work in order to make up for fewer people.

Figure 22
Minnesota Population and Labor Force Growth
1980-1997



Source: MN Department of Economic Security, 1998

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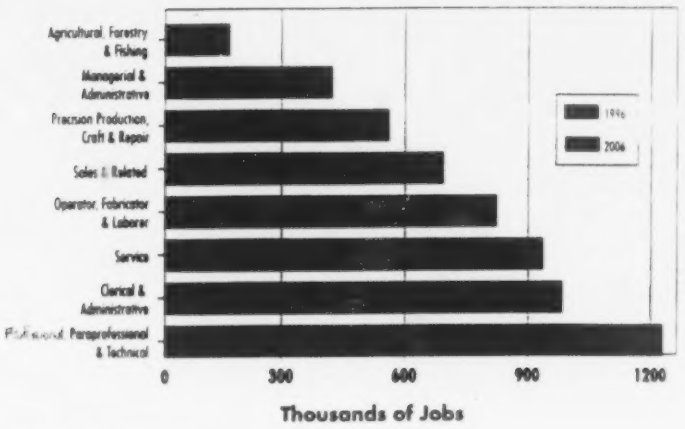
Figure 23
Minnesota Employment Outlook by Occupational Category 1994-2005



Source: MN Department of Economic Security, 1997

Labor Shortages

A large gap exists between employment growth and workforce growth. By the year 2005 alone, employment is projected to increase by nearly 373,000 jobs. The estimated number of workers age 16 and over is expected to fall far short of demand. And this gap will continue to worsen due to the expected slowing of workforce growth in the coming decades.

A major factor driving the slower workforce growth rate is the current peak labor force participation rates of men and women. Minnesota is currently experiencing record high labor force participation rates for the state's total labor pool at 74.7 percent, and has the highest labor force participation rate for women in the nation at 68.7 percent.

If the labor supply is not adequate to meet the needs of Minnesota's employers, the best alternative to ensure continued economic growth is productivity growth. Increased productivity through investments in physical and human capital means that the same number of people are able to increase the volume of service or product output. Increased productivity also results in higher wages and a more competitive economy.

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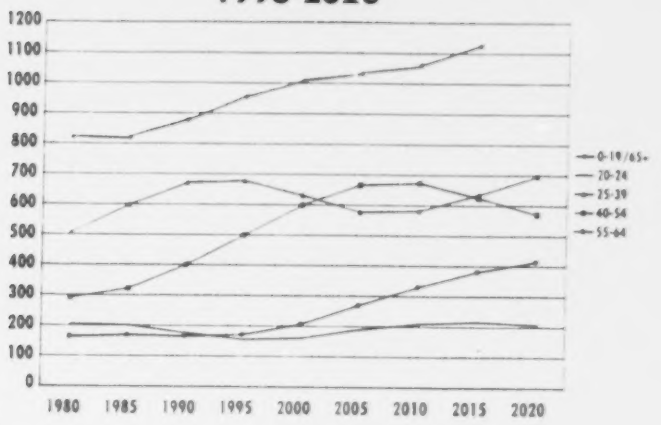
Figure 24
Twin Cities Metropolitan Area:
Age Forecasts and the Labor Force
1998-2020



Source: Metropolitan Council, 1998

Aging Implications

- The statewide labor force shortages will be exacerbated by an aging population if employers continue to perceive disincentives in hiring and retaining older workers. An example of a disincentive faced by employers is workers' compensation costs. In 1993, workers ages 50 to 79 received compensation for almost twice as many weeks on average as workers ages 15 to 49. However, decreasing disability rates among older adults suggest the possibility that the costs associated with injury and illness within this age group may decrease in the future.
- Evidence shows that attitudes toward older workers are changing. A 1998 survey of human resources managers found that 89 percent disagreed with the statement that "older workers have higher rates of absenteeism." Almost 70 percent disagreed with the statement that "older workers are more costly to train than younger workers."
- Most of the growth in job openings in the future will not occur through employment growth but through replacement openings. In other words, most job openings in the future will occur as a result of baby boomers retiring or otherwise quitting their jobs. While the demographic factors are clear, the one unknown variable in this picture is immigration. If immigration increases, it will lessen the effects of this labor shortage.
- Another age-related factor that influences the level of available labor is the increasing prevalence of caregivers in the workforce. As the number of elderly increase into the year 2030 the need for informal caregivers will also increase. In a national public opinion poll conducted in 1998 for the National Partnership for Women & Families, over half of all Americans predicted that they will be responsible for the care of an elderly relative in the next ten years. The most typical employed caregiver, according to the U.S. Department of Labor, is a woman in her mid-forties who is employed and provides, on average, 18 hours of care per week for her mother who either lives with her or lives nearby. MetLife estimates that the total cost to employers in lost productivity associated with caregiving is $11.4 billion a year nationally.

Training and Education

Currently, there is a mismatch between the skills supplied by workers and the skills demanded by employers. This situation will become a greater challenge in the future because of the rapidly changing economy. The current education and training systems in Minnesota do not always adequately prepare individuals for the jobs that are available. Individuals who are most affected by this trend are those who lack access to many of the education and training opportunities offered after post-secondary education.

Aging Implications

- In the past, educational institutions and employers have focused on educating new entrants to the workforce. In the future, the focus will need to shift to the retraining needs of individuals already in the workforce. The need for continuous training in the future economy will also be driven by the rapid pace of technological change.
- The provision of lifelong training will be a challenge in light of the myths and realities of training and retraining older workers. The myth is that it is difficult or expensive to retrain older workers. This myth has increasingly been proven wrong, as older workers have learned new skills, started new careers after experiencing layoffs, etc. The question is what role public education (and private business) will have in developing and subsidizing the retraining of older workers in the future.

Technology

Regardless of the labor supply conditions, the impact of technology will continue to permeate throughout the economy. Technology may prove to be particularly useful if it can provide the means to improve worker productivity. Improved productivity is the key to continued economic growth.

Aging Implications

- As technological innovation continues, workers will be replaced or become more productive through the application of technology. In the future, technology will need to substitute for workers due to the labor shortages. The need for substitution will be greatest in the health and service industries such as long term care, as well as in the industries characterized by physical labor. These industries are currently experiencing difficulties in recruiting workers interested and able to do the work that is often both physically and mentally demanding. However, in the long term care industry, the feasibility of replacing workers with technology will be based on both affordability and the ability of service recipients and/or workers to use and manage the technology. Technology will never fully replace the need for "high touch" in the delivery of health and long term care services.

Tax Implications

A 1998 study sponsored by the National League of Cities, the National Conference of State Legislatures and the National Governors Association points to several trends that will threaten state and local public finances into the future. As the production and consumption of services continues to outpace that of manufactured goods, state and local tax bases will suffer. Many services are tax-exempt and thus do not generate public revenue. Additionally, it is the manufacturing sites that pay the higher property taxes. As this industry represents a smaller share of the economy, its property taxes make up a smaller share of public revenue.

Innovations in technology, such as the internet, could have major effects on revenues. Sales on the internet have the potential to shift retail sales tax away from local businesses to electronic commerce. Another factor threatening state and local tax bases is the increased mobility enjoyed by firms as a result of the global economy. An increasing number of firms are locating where the tax treatment is most favorable. Such a situation tempts states to compete on this dimension and manipulate tax rates to attract large firms.

Aging Implications

- As Minnesota's population ages, an increasing proportion of the workforce will begin to make plans for retirement. As we approach 2030, an increasing proportion of the current workforce will retire or move into more part-time employment. This will affect Minnesota's tax base in several ways. As workers get older and think more seriously about retirement they tend to take increased advantage of various "tax-preferred" financial retirement plans. Under our current laws, workers have two basic choices: they can divert their income into traditional "tax-deferred" retirement accounts or they can invest earnings in products such as Roth IRAs (income is taxed at the point of investment; earnings from the investment are tax-exempt).
- In addition, once a worker retires, the primary sources of their income are Social Security, pensions, and investments (interests, dividends, capital gains). Income from Social Security and capital gains receives preferential tax treatment, i.e., such income is generally excluded from calculations of taxable income used to determine eligibility for different forms of tax relief. Income from Social Security and pensions will tend to grow more slowly than wage and salary income. Assuming that workers will choose a plan that maximizes their tax advantage and that preferential tax treatment continues into the future, as the population ages, a greater share of personal income will be tax-exempt, and subject to lower tax rates.
- An aging population may also have an impact on other major sources of tax revenue. For example, older people tend to spend less of their disposable income on durable goods which are subject to sales tax. Or, they may travel or relocate to another state for part of the year or move permanently. As a result, their consumption of taxable goods and services may occur outside of Minnesota. Elderly homeowners may also experience relatively high property tax burdens as their incomes remain relatively fixed and their homes increase in value. This will force them to sell or result in demand for increased property tax relief targeted to older homeowners.

- Another tax implication is the continued payment of income tax (as well as federal FICA, Medicare tax) by older workers who continue to work past "retirement" age. This will bring more income taxes into the state, but it is not clear if this increase will offset reductions due to other changes in the income sources of older people in Minnesota.

Employee Benefits

Employers provide benefits to attract and retain a productive and high quality workforce. Just as overall wage levels and labor trends vary widely by organizations, so, too, employee benefits vary significantly by industry and size of organization.

The overall trend in recent years has been toward decreased employee benefits, driven in part by long term increases in the cost of health insurance and other benefits that have consistently exceeded wage increases. This trend is being influenced by the increased competitiveness of a global economy, increased sophistication about the cost of benefits and methods for controlling costs, and increased frequency of two-wage earner households so that more workers receive benefits through their spouses' job. Employers are also constrained in their benefit decisions by federal and state discrimination requirements, which are intended to promote fairness and consistency in benefits provided to different classes of employees.

The importance of job flexibility to help workers maintain a balance between work and family life has gained attention in recent years. The Family Medical Leave Act created new employer mandates in this area related to the need for time off to care for a spouse or children. Flexibility in job design is also a topic that is gaining importance, especially as employers look at ways of redefining position descriptions to accommodate available workers and make better use of part-time help.

Aging Implications

- With the aging of the workforce will come greater interest in the way in which benefits encourage or discourage older workers from continuing to work rather than retiring. Flexibility in job design as well as benefits can be a key factor in attracting older workers to remain in the workforce. Employers will have to weigh the costs and benefits of extending such flexible options to the entire workforce, not just their older workers.
- Pensions have been changing to defined contribution plans which limit employer's liability based upon the funding actually set aside for an employee. After many years of providing incentives for workers to retire early, the trend toward earlier retirement appears to have leveled off, and pension plans are now shifting toward encouragement of later retirement.
- Portability of pensions will be critical in the future labor markets, and defined contribution plans may be more compatible with the needs of an increasingly mobile workforce although they provide less security and a greater need for employee-specific retirement planning.
- Health insurance is one employee benefit where the level of need increases with age. It is a major issue for older workers, a big expense for employers and a key to any definition of ideal employee benefits in 2030. Health insurance becomes critical for older workers especially prior to their Medicare eligibility, and even after that, provision of some type of supplemental coverage is often very important to the worker.

- Other employee benefits can also play a role in meeting the needs of older workers. A pre-tax spending account can provide a substantial discount for older worker's out-of-pocket health care expenditures or caregiving needs of other family members. Dental insurance and prescription drug coverage may be of particular value for older workers since Medicare and many Medicare supplemental policies do not cover these. Life and disability insurance are more oriented to the needs of younger workers, although the availability of long term care insurance (especially if purchased earlier in their working life) could be a critical benefit as older workers age and need long term care and support. Now that employers can deduct from their federal tax the cost of offering long term care insurance to employees, this may become a more important part of benefit packages.

Vision for 2030

1. In 2030, "work" will not be limited by age, but by hard and soft skills and individual motivation.

- The workplace of 2030 maximizes the skills of all people interested in entering or remaining in the workforce. The global, knowledge-based economy will place a premium on high-order cognitive skills and the forecasted labor shortage will enhance the value to all workers including older workers. The workplace of 2030 will have challenged the myth that older workers are universally less productive, and employers will recognize the value of skills that experienced people bring to the workplace. Equity in pay and position will be realized in the workplace by 2030.
- Employers in 2030 will seek out older workers at two different levels. On one level, older workers will be desired (or at least considered qualified) for high-skill positions due to their lifelong work experience in the private, public and independent sectors. At another level, employers with lower-skill, low-stress jobs will cater to older people interested in work for income stability as well as social and self-fulfillment purposes. As a result, the percentage of older workers in part-time, seasonal, temporary and consultative positions will rise dramatically.

2. The workplace of 2030 will follow a new, redefined concept of retirement not determined by an arbitrarily designated age, but by mental and physical capacity and personal financial preparation.

- Retirement in 2030 will have been redefined and in many ways removed from the lexicon altogether. "Retirement" in the new sense will be determined by a person's functional ability, personal motivation and financial preparation to support herself or himself without employment income.
- By 2030, older people will depend less on Social Security due to the steady erosion of its purchasing power, higher lifestyle expectations, and longer lifespans of older people. As a result, people will use Social Security to supplement other income earned from such things as employment, investments and pensions.
- Work that is traditionally undervalued—informal caregiving, homemaking, volunteering—will be credited or somehow compensated to balance the discrepancy of wage-earning vs. non-wage earning work, and to provide older people with additional avenues for supplementing their income and meeting basic needs.

3. The workplace of 2030 will be noted for its flexibility and ready access to training and lifelong learning. As such, traditional retirement will give way to new stages of personal and career development.

- Unlike the structured workplace of the past, with 8-to-5 routines, the rule of thumb in the workplace of 2030 is flexibility and productivity, due in part to a prolonged labor shortage in the state. This will create better access to the workplace and more rewarding work opportunities for older workers if they choose to stay employed. The workplace in 2030 will be less traditionally structured and place-based, focusing instead on the means necessary to continually improve productivity. For instance, technology will make it easier to work at home, which will expand job opportunities for older people.
- The push for improved productivity, coupled with the lack of workers, will increase both the public and private sector's interest and willingness to invest in new skills for older workers. The public sector will help fill training gaps for older workers not provided by the private sector. Such training will upgrade and update the skills of older workers, giving them greater opportunities to pursue new (if possibly less intense) careers in their "second adulthood."

4. An ideal set of benefits for workers in 2030 will provide incentives for older workers to remain in or return to the workforce, and reduce or eliminate incentives to leave the workforce.

- These benefits will also include tools that help workers plan for their financial needs at various stages of life, and provide sufficient employer- and employee-financed benefits to provide secure financial circumstances for older persons when they retire.

Policy Directions

Minnesotans are well aware of the state's labor shortages and related issues. A redefinition of retirement is underway, especially in the Greater Minnesota area as more and more older people retire and then return to work at another job. Individuals involved in 2030 discussions had many examples of older persons involved in nonpaid, contributory roles, and talked about how essential these activities are. All agreed that a good education for young people was critical to maintain a high quality work force and good economic growth. A sampling of their suggestions for how to make best use of our aging population in the workforce and in other roles is presented below under each of the three policy directions.

1. Make creative use of the state's aging population both in the labor force and in nonpaid, contributory roles.

Suggestions

- Eliminate disincentives for older workers to remain in the workforce. Incentives to retire early should be reduced or eliminated. The earnings test in Social Security should be eliminated or its effect reduced through use of a tax credit that recoups the worker's lost benefits. Pensions should be made more portable. Workers compensation costs for older workers should be studied to see if the actual costs go down along with disability levels in the older population.

- Explore ways in which an aging workforce can be a competitive advantage for the state. Use more telecommuting. Tailor-make benefit packages to meet specific needs of older workers. Use flextime to provide volunteer work or work on other positive community goals. Recruit companies to Minnesota for whom an older workforce is an advantage. Develop positive marketing on the benefits of older workers.
- Conduct a survey of employers in the state to find out how many of their employers are caregivers for adult parents or spouses. Determine if there is sufficient drain on employee productivity and the state's economy to warrant a public response.
- Develop assessment tools and resources that identify skill sets and training needs among older workers, and assist them to "revision" their potential and work options.

2. Promote flexibility in the workplace in order to accommodate the changing definitions of work and retirement.

Suggestions

- Identify the level of preparedness for an aging workforce among businesses in the state. Note barriers the employers identify as disadvantages to hiring or retaining older workers and the types and locations of those businesses for which older workers may provide a competitive advantage.
- Identify methods of implementing flexible work patterns that offer incentives for older workers to continue working. The traditional ways of specifying benefits based upon full-time or part-time may be obsolete as more people including older workers request flexible work arrangements. Examples where change may be needed include the way in which workers' earnings are used to determine their pensions, health insurance coverage, and accumulation of leaves. Encourage a sabbatical mindset and the opportunity to revision career goals, take additional training, etc.

3. Invest in high quality education and training for our young people to ensure a high quality workforce and vital economy for the future.

Suggestions

- Maintain the quality of the workforce in Minnesota by supporting a high quality education system.
- Continue the state's policy of focusing on the creation of high-wage, high-tech jobs.
- Insist on good outcomes in the education system. Good education outcomes are crucial to our continued economic growth. Good outcomes are especially important for students from cultural and ethnically diverse backgrounds and new immigrant groups. Reduce the dropout rates among these students.

- Ensure that the state's technical schools and Minnesota State Colleges and Universities (MnSCU) are responding to the needs of businesses more directly and immediately. These schools must form partnerships to more effectively connect the training provided to the skills needed by businesses. An alternative to expanding the physical sites and equipment at technical schools is to have the teachers come into the workplace and offer more extensive on-the-job training.
- Expand the role of MnSCU and its technical and community colleges to train older, nontraditional workers for new careers.

2030 Milestones

The following milestones will be monitored over time to measure our progress toward the vision for 2030 stated above.

Creative Use of the Labor Force

Labor force participation rate of older workers

Total Population	1982	1987	1992	1996
45-54	84.4	87.6	91.9	90.5
55-64	63.1	65.3	65.7	67.6
65+	11.7	13.2	16.8	14.1
Male Population				
45-54	94.8	94.5	93	93.8
55-64	74	74.6	71.1	73.3
65+	18.7	na	19.9	21
Female Population				
45-54	73.9	81	90.8	87.1
55-64	53.9	57.7	60.7	62.1
65+	6.8	na	13.5	9.1

Source: MN Department of Economic Security, Current Population Survey (statewide data)

Promote Flexibility in the Workplace

Average retirement age by sector

Data not available

Number of workplace discrimination claims

Data not available

Invest in High Quality Education

Percentage of public school ninth-graders who four years later graduate, continue in school or have dropped out

(Minnesota Milestone)

	Class of 1996
Graduate on time	79
Continue in school	10
Drop out	11

Source: MN Department of Children, Families and Learning (statewide data)

Percentage of high school graduates who are pursuing advanced training, apprenticeships or higher education one year after high school

(Minnesota Milestone)

1990	1991	1992	1993	1994	1995	1996
70	72	74	74	75	74	73

Source: MN Department of Children, Families and Learning (statewide data)

Percentage of two-year public college graduates obtaining a job related to their training within nine months of graduation

(Minnesota Milestone)

1990	1994	1995	1996
83.8	86.9	88.3	88.6

Source: Minnesota State Colleges and Universities (statewide data)

ASSESSING THE READINESS OF THE STATE

As they age, Minnesota's baby boom generation will affect all sectors of the state including state government. Charting these effects is complex because of the growing diversity of the boomers in terms of income, employment, ethnicity, family and living arrangement and attitudes, as this report illustrates. However, it is worthwhile to assess how these effects might change the business of the state and the programs it operates. It is also important to determine how state government is preparing for these changes now and how state departments see their business changing as a result of the aging of our population.

As part of the Project 2030 initiative to prepare the state for the aging of its population, the Governor's office together with the commissioner of the Department of Human Services asked each of the twenty-six state departments to appoint a liaison to Project 2030. The liaisons worked together over several months (May – October 1998) to analyze the likely implications of an aging population for their departments' business. The liaison discussions also involved determining the actions to be taken now and in the future to prepare the state for the demographic shifts.

Survey Completed by State Departments

In the beginning of May 1998, the liaisons were sent a list of questions to assist them in their efforts to analyze the implications of the aging of the population for their departments' business. Following is a list of the questions.

1. What are the issues related to 2030 within your department's business?
2. What are you doing now to address these issues?
3. What actions should be taken in the future by your department to address these issues?
4. Which of these issues should be addressed through a collaborative approach?
5. What are one or two measurable indicators that would measure progress on these "2030" issues related to your department's business?

The last question was included to generate discussion of possible indicators for Project 2030. These "2030 milestones" are included in this final report and will be monitored regularly to track the progress of the state in planning for the changing needs of an aging population.

2030 Issues Facing State Departments

The 2030 liaisons worked together over several months to address the issues of 2030 related to their departments' business. The starting point for these discussions was the information provided in the liaisons' department reports. A summary of the findings from these reports is provided below. This summary includes a discussion of the issues related to 2030 identified by the state departments as well as the actions they are currently taking to address these issues. A one-page summary of each department's activity is included in their report, *Assessing Minnesota's Readiness: State Department Liaison Report*, available from DHS.

Common Issues

Changing "Customers" and How We Serve Them

The state departments recognize the need to change the way they present and provide information in order to accommodate the changing capacities of their customers. Some proposed changes include the need to provide forms in large print, conduct more outreach activities, and provide information via technology such as the internet. These changes were proposed by the departments partly because of expected declines in the functional abilities of an aging population.

Some of these changes were also proposed to respond to the increased sophistication of information and service delivery desired by the aging baby boomers. Thus, many departments expect to increase their use of technology and alternative information and service formats to meet the needs of their changing customer base. Implied in the liaisons' proposed service changes is the need for departments to offer choices to their customers. As the population ages it will also become more diverse racially and ethnically. As a result, this greater diversity will require changes in, and expansion of, services.

Another common issue mentioned in several department reports is the need to assist communities in planning for the aging of the population and the implications for their departments' business. Such assistance includes providing area-specific information and data, coordinating regional research and other collaborative efforts, as well as assisting in the land use planning of communities.

The assistance provided by the Metropolitan Council and Minnesota Planning includes providing information on the changing age composition of the communities into the future. This information, and other technical assistance provided, will help communities to plan developments that encompass more of a lifecycle approach to housing. In terms of community infrastructure, the Department of Transportation and the Office of Technology are currently providing financial and technical assistance to communities around the state. These resources are used by communities to increase public transit service as well as expand the reach of technology to increase health care access and electronic commerce.

The shifting location of health care services is also being addressed by some of the state departments. The Department of Veterans Affairs is working to ensure that veterans' health needs continue to be met as the location of health care services shifts from hospitals to community outpatient facilities. The Department of Corrections has started a new procedure that allows severely functionally impaired and ill inmates with a chronic condition or disease to be transferred to community-based health care facilities. This decreases the need for additional staffing in prisons and meets the needs of these individuals more effectively.

Changes in Policy Directions and Programs

The 2030 issue most often mentioned by the departments is achieving a balance between meeting the needs of an increasingly large majority of the population (the aging baby boomers) and the needs of other segments of the population.

Several departments' efforts include gathering data and information on age-related changes to inform current and future policy decisions. For example, the Department of Human Rights is compiling data on a five-year history of workplace age discrimination claims. When available, this information will provide the basis for future program and policy changes.

The Department of Health and the Office of Technology are in the process of coordinating or assisting in data collection efforts to create a more complete picture of the current situation and changes that will occur with the aging of the population. The discussions between the state department liaisons have also served as a medium through which this information, projections and scenarios for the future can be shared.

A number of the state departments are working in collaboration with other entities to begin addressing the implications of an aging population as it relates to their business. One collaborative effort between the Department of Economic Security and private businesses is focused on meeting the needs of an aging workforce. Another collaboration is occurring between public and private community agencies, coordinated by the Department of Administration, that are working together to determine innovative solutions to the lack of baby boomer volunteers. In addition, the Department of Transportation is working in partnership with the Universities of Minnesota and Pennsylvania to develop lifelong driver training opportunities.

Internal Staff and Department Implications

Several departments mentioned they have had to hire additional staff persons to fulfill new roles that the departments must add to accommodate changes in their customers' needs resulting from the aging of the population. For example, the Department of Corrections has added health care personnel to their prison staff to meet the needs of their aging prison population. Similarly, the Department of Agriculture has added the position of data privacy expert to coordinate the provision of information to baby boomer farmers around the state who desire easily accessible and trustworthy data to inform their practices.

A related issue that was mentioned by a number of departments is the need to reallocate staff, or add roles to the work of current staff, to address the implications of an aging population. The Department of Health has created a number of internal workgroups to address a variety of health issues, including the implications of the aging population on the overall health of Minnesotans.

For departmental staff to effectively undertake these new roles all departments stressed the need for current staff to be educated on the implications of an aging population for their departments' business. Several departments are planning educational programs for their staff, some of which involve presentations by outside experts on the relevant 2030 issues. For example, the Bureau of Mediation Services holds joint labor/management briefings for their staff on health care insurance issues that are conducted by the Department of Employee Relations and a union representative.

A final departmental issue that was identified by several liaisons is the aging of their staff. The departments see the need to undergo long-range employment planning so

that they can ensure that staff positions, once they are vacated, are filled with adequately trained individuals. This issue is especially critical in terms of management-level employees. There often are very few qualified individuals to move into these positions. The Department of Revenue suggested that effective workforce planning and management development should occur across state agencies.

Average Age of Minnesota State Department Employees: 1997

State Department	Average Age
Administration	44.72
Agriculture	45.86
Attorney General	41.16
Mediation Services	51.5
Children, Families and Learning	46.06
Commerce	43.85
Corrections	41.15
Economic Security	47.45
Employee Relations	45.3
Finance	42.63
Health	43.33
Housing Finance	43.11
Human Rights	44.51
Human Services	44.25
Iron Range Resources and Rehabilitation	37.43
Labor and Industry	44.03
Military Affairs	44.78
Natural Resources	44.27
Office of Technology	42.25
Pollution Control	40.49
Public Safety	43.58
Public Service	46.5
Public Utilities	44.54
Revenue	45.94
Trade and Economic Development	43.22
Transportation	45.31
Veterans Affairs	45.26
Average Age	**44.12**

Source: Minnesota Department of Employee Relations, 1997

Summary of Recommendations

The detailed actions submitted by the state departments and discussed in the liaison workgroups included a number of common types of actions. These categories are discussed below.

Realigning Internal Resources to Meet Changing Needs

The need to realign internal departmental resources to meet the changing needs of Minnesota's population is an overarching theme of all recommendations generated from the departments' reports and the liaison workgroup discussions. Some of these efforts are already underway in a number of the state departments. Other efforts are linked to initiatives on a larger scale that seek to address the needs of the aging population into the future. For example, the Department of Employee Relations is coordinating a special interdepartmental project to make an affordable long term care insurance product available to all public employees.

Collaborative Efforts and Partnerships

Most recommendations for collaborative efforts involve linking organizations together where one has the knowledge and expertise to assist another organization's efforts to plan ahead for 2030. These collaborations also involve the establishment of more effective ways to deliver services to the state's population. For example, Minnesota Planning will encourage collaboration among cities, counties and townships to achieve effective local planning under the Community-Based Planning Act. Many departments realize that the ways in which they deliver their services must become more flexible in order to be responsive to the changing needs of their customers, especially since these needs will change in ways that are not yet determined.

Information and Data Gathering and Sharing

The most frequently recommended actions for the state departments are those focused on the coordination of existing and new data collection efforts and disseminating this information to organizations and individuals around the state. Such efforts are seen as critical to inform the programmatic and policy decisions organizations will face in the future. For example, recommendations from the Department of Health include the need to gather data on the population's prevalent chronic conditions and to disseminate this information to the medical schools to inform the training offered to future medical professionals. Another recommendation from the Department of Health involved tracking the health status of different age and ethnic groups to inform public education and health promotion efforts.

Effective Use of Technology to Deliver Services

Innovations in technology were identified as tools with which the state departments and other entities could better do their business. Recommended uses include increasing the economic capacity of communities around the state through the use of electronic commerce. Health care access could be greatly expanded with the increased use of telemedicine and other technologies. Another role for the state departments to take in such efforts is to create and implement appropriate regulations for these new modes of service delivery and community assistance that provide parameters for development as well as protections for individual users.

EFFECTS ON OTHER SECTORS

The demographic shifts we will experience with the aging of the baby boom generation have implications for all sectors of our society. While the focus of Project 2030 has been primarily on the implications for state government, the effects on other sectors will also be significant. Many of them will be similar to the state level effects.

Listed below are some of the major effects of these demographic shifts on local units of government and the nonprofit sector in Minnesota identified during discussion with Minnesotans about 2030 implications. (Effects on businesses and employers are covered in the section on workforce issues.)

Local Levels of Government
(County and Municipality)

Integration of Older People

- Many opportunities will exist for the integration of older people into all aspects of community life. Intergenerational activities will be a natural part of everyday life.

Infrastructure Needs and Investments

- The need to plan and prepare for lifecycle communities will affect local units of government more directly than other government levels. Because housing is such an essential part of a lifecycle community, and because affordability will intensify as an issue, careful analysis of needs, market development and additional public/private partnerships to create more options will be needed. The need to make best use of existing housing stock will also be a necessary challenge at the local level, with the possible emphasis on zoning ordinance changes, retrofitting, and changes in the use of existing housing.

Competing Needs

- The competition for limited resources could be particularly acute in small rural communities with a disproportionate number of older people and relatively few methods for supporting them and meeting their needs.

Tax Implications

- Many communities may be increasingly faced with a shrinking tax revenue base as a greater share of their population ages. They will be constrained in their ability to support the needs of their population. These communities may have to search for alternative ways to generate revenue.

Economies of Scale

- Smaller communities experiencing demographic shifts will need to consider coordinating service delivery with other communities and with other counties to achieve economies of scale and support the service provision needed by their aging population.

In-migration of Retirees

- Communities experiencing the in-migration of baby boomers as they retire may be faced with higher expectations for services and infrastructures than previously, and will need to determine how to deal with these expectations and how to equitably spread any additional costs incurred.

Need for Careful Planning

- Communities will need to evaluate their current age mix, their advantages and detriments, their natural resources and other factors to see what changes in their policies, plans, ordinances are required to support the kind of community they want to be.

Nonprofit Sector

Potential Volunteer Pool

- As the baby boomers near retirement, most will still be healthy and active and have the time to pursue other interests and activities (besides continued employment). The availability of such a large potential volunteer pool will be a great benefit to nonprofit organizations that depend upon volunteers to supplement staff, connect with clients, and keep costs low. However, it is increasingly apparent that traditional volunteer options do not appeal to the boomers. If they are creative and tailor their volunteer jobs to the interests and preferences of the boomers, nonprofits could receive great benefit from the services provided by boomers. If boomers are true to their youthful philosophy, they will be interested in "causes" and thus will have an interest in working for an organization whose mission is appealing to them.

Increased Demand for Services

- Especially for nonprofit agencies providing social or supportive services, there will be increasing demands for services from boomers who do not have family resources available, especially the large numbers of boomers who will be living alone without significant family connections. They may be called upon to provide "high-touch" services which the for-profit sector does not want to deliver, and the public sector cannot afford to provide because its resources are focused on providing basic needs.

Labor Shortages

- Agencies will have the same pressures as all other employers to find and retain adequate levels of staff. This retention could be more difficult in times of labor shortages because workers will take positions in organizations that pay higher salaries than nonprofits can pay.

CONCLUSION

The two-year initiative called Project 2030 has primarly been a project to plan, research, and discuss the issues surrounding the aging of Minnesota's population. It was not intended to develop specific programs or proposals. It has identified the many effects that the baby boom generation will have on our state and how we can begin preparing for this permanent change in our state's age structure.

Outcomes of Project 2030

Early in the project, the following outcomes were established for Project 2030.

1. Visible momentum within all sectors of Minnesota to develop solutions and respond to the needs and demands of an aging society.

One of the most important outcomes of this project was creating visible momentum throughout the state regarding the need to plan for the future. The goal has been to engage individuals and organizations in discussions about the meaning of these changes and spur them to look deeper into what these trends mean, and to begin preparing individually and collectively for these changes. Over 3,000 individuals have participated in various 2030 discussions and many organizations have used Project 2030 data and information to start a strategic planning process for their organization's future.

2. Strong and active partnerships with a broad variety of public and private groups that identify and take actions that respond to the upcoming age wave.

Partnerships with several public and private organizations, especially the Minnesota Board on Aging, the 26 state departments, the Citizens League, the University of Minnesota Extension Service and several business groups, enhanced the work of Project 2030, provided diverse perspectives and expertise on these difficult issues, and expanded the number of persons thinking about and suggesting responses to these issues.

3. Key actions state government can take now to prepare for 2030.

The nine policy directions that emerged through the process of discussions within Project 2030 can provide a framework for state and local policymakers as they consider proposals with 2030 implications.

4. Reenergize but don't reinvent existing strategies and partnerships wherever possible.

The partnerships developed in Project 2030 combined new and existing relationships. The project was able to build on shared values and mutual interests within existing partnerships and develop strong new ties with others for the future. The policy directions in Project 2030 are not "new" ideas, but they are critical themes for the work that needs to be done now, and can be used to guide the next stages of work as Minnesota prepares for 2030.

APPENDIX A

Project 2030 Publications

Project 2030 Briefing Book..... *24 pages*
An introductory publication to Project 2030. Basic statewide demographic facts and figures about the changes that will occur in the older population in Minnesota over the next 30 years are presented. Characteristics of Minnesota's future elderly are described, supporting data and research is provided.

What is Project 2030?.....*1 page*
This one page description of Project 2030 is intended to give the reader an overview of the purpose of the Project as well as the goals and expected outcomes of this initiative to prepare the state's response to the aging of the Baby Boom generation.

Preparing for the Senior Boom in Minnesota..... *6 pages*
An introductory publication to Project 2030. The implications of the aging of the Baby Boom population are described briefly. The state's response in the form of Project 2030 is discussed. The five main goals of Project 2030 are outlined.

Preparing for the Future: Minnesotans Identify Opportunities and Challenges for an Aging Society.....*26 pages*
This report summarizes the many activities undertaken by the Minnesota Board on Aging as a partner in Project 2030. An analysis of the issues surrounding the aging of the population and the implications for the state and the Board are included. Actions recommended in the 2030 Community Forums for planning ahead to prepare for these shifting demographics are outlined.

Citizens League's New Wrinkle on Aging: Baby Steps to 2030.....*31 pages*
An advisory report to the Department of Human Services, prepared by the Citizens League's "New Wrinkle on Aging" citizen task force. This report takes a deliberative look at the issues, consequences and choices facing the State of Minnesota and its residents regarding the aging of the population.

Assessing Minnesota's Readiness: Report of State Department Liaisons.....*18 pages*
A product of the 2030 State Department Liaisons Group. This report is a descriptive summary of the reports produced by each of the state departments regarding the implications of an aging population for their "business." Current actions taken by the departments, as well as future and recommended actions, are included.

Health and Long Term Care Issue Paper..... *9 pages*
A product of the Health and Long Term Care Workgroup, made up of Project 2030 Liaisons from the State Departments. This report discusses the current trends in health and long-term care and the implications for these trends of an aging population.

Workforce and Economic Vitality Issue Paper.....*9 pages*
A product of the Workforce and Economic Vitality Workgroup, made up of Project 2030 Liaisons from the State Departments. This report discusses the current trends in Minnesota's workforce and economy and the implications for these trends of an aging population.

Changing Communities Issue Paper..... *8 pages*
A product of the Communities Workgroup, made up of Project 2030 Liaisons from the State Departments. This report discusses the current trends in Minnesota's changing communities and the implications for our communities of an aging population.

Citizens League's "New Wrinkle on Aging" Symposium Notes.....*16 pages*
A summary of the break-out discussion sessions that occurred at the "New Wrinkle on Aging" Symposium held in June 1998. Attendees were given the opportunity to share their thoughts with the panelists on how to deal systematically with an aging baby boom generation.

Summary of Roundtable on Preparing Employees for 2030..... *8 pages*
This report summarizes the discussions at the Roundtable among 28 individuals from businesses and the employment sector. Issues discussed include the role of employers in helping employees plan for their retirement and the changing definition of retirement and retirement planning. The Roundtable was co-sponsored by the University of Minnesota Extension.

Ethnic Minority Populations Data Report.....*65 pages*
The population of ethnic minority groups in Minnesota is projected into 2030 at the state and county level. Illustrative charts and maps depicting the size and geographic location of these groups are included.

County and Regional Demographic Data Report.....*15 pages*
The population of older Minnesotans is projected into 2030 at the state and county level. Different age segments of the older population are compared as is the number of older individuals to younger age groups. Charts and maps depicting the size and geographic location of the older population are included.

Baby Boomer Market Research Report..... *58 pages*
Himle Horner Inc. conducted a telephone survey, focus groups around the state, and an audit of professionals to determine the attitudes and preferences of Minnesota's baby boomers towards retirement and retirement planning. The results of this research are compared to similar research conducted with 1998 Minnesota State Fairgoers in an attached publication.

Project 2030 Summary of Final Report..... *6 pages*
A brief summary of the final report of Project 2030 that includes purpose of the project, key demographic information, and visions, policy directions and suggestions for each of the four major themes. A summary assessment of the readiness of state government is also included.

APPENDIX B

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